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EDITORIAL

As We See It

"What is prosperity?" some jesting Pilate might well ask, and even if he stayed for an answer probably would be more puzzled than enlightened. He would certainly be perplexed, and even a little annoyed, if he happened to be a thoughtful student of public affairs rather than one who accepts unquestioningly the slogans and dogmas of the day.

Let no one suppose that such observations as these are of interest only to the academician, or that they are remote from the situation in which we find ourselves at this moment. They are, on the contrary, prompted by discussions now current about the business outlook, particularly in political and semi-political quarters.

Two criteria are in popular use as measures of the state of prosperity or economic well-being at any moment in time. One of them is "full" or "high-level" employment (or the lack of it). The other is what has become known as Gross National Product, a term which now rivals almost any other in the frequency of its employment.

But can we say that we are prosperous merely because we are all, or nearly all, hard at work? If so, then China, India, and a good many other countries of a like stage of economic development and density of population must be set down as almost invariably prosperous. Who ever heard of unemployment being a major concern of any of them—even when people were starving. Everybody in such societies is hard at work trying to find some way to keep body and soul together.

And as to Gross National Product—well, some facetious economist once remarked that the easiest way any one of us could increase it would

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Observations on Pension Funds

By HENRY C. ALEXANDER*

President, J. P. Morgan & Co. Incorporated

Head of prominent New York banking institution discusses implications and effects of rapid growth of pension and social insurance funds, many of which are administered by banks' trust departments. Says era of 19th Century rugged individualism has passed and pension, together with other social security benefits, are in line with recent trends. Holds trust funds set up by private enterprise may prove stabilizing influence.

The Convention authorities indicated that they would like me to direct my remarks today into the general field of trusts and investments. I was asked several weeks ago to give the title to my speech in order that it might be printed in the program. This was long before I had any idea what I would have to say, so I chose a large umbrella under which I might walk in almost any direction, and called it, "Observations on Trust Investments." It really is a pretty dull-sounding subject even for an audience of bankers, and when I see lovely ladies among them my heart almost bleeds—rather pleasantly, however, I should say.

Henry C. Alexander

But let me rush to reassure you at least somewhat. I don't propose to go into the technical aspects of trust investments or to undertake a comprehensive survey of this many-sided question. It would be presumptuous of me to try to deal in detail with so intricate a subject before an audience containing so many who are so well versed in it.

As a matter of fact, I have good ground for approaching any phase of the subject with considerable

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*An address by Mr. Alexander before the 56th Annual Convention of the New York State Bankers Association, Spring Lake, New Jersey, June 20, 1952.

Europe Turning Again To Gold Standard

By MELCHIOR PALYI

Pointing out Europe is in tentative process of turning back to gold, Dr. Palyi holds it is alternate move to further devaluations, which are ineffective. Lauds French Premier Pinay for his efforts to bring the French franc back to gold convertibility, and says France is in favorable position to achieve a gold standard, provided paper inflation is definitely stopped. Concludes, France's effort looks like "turning point" in reestablishment of stable and convertible currencies in Europe.

The year 1952 may be a turning point in Europe's economic history. After two decades of reckless experimenting with paper money—at the hands of irresponsible intellectuals and politicians—Europe is turning back to gold.

So far, it is a tentative process rather than a final reversal of policy. But the attempts undertaken, and the plans under official consideration, are highly significant. They indicate a change of the minds—and it is the minds that matter.

Dr. Melchior Palyi

The change was overdue, indeed. It took the unprecedented financial plight of last winter to shake up the British and French complacency based:

(1) On the theory, proclaimed from official and academic housetops, that "production" (full employment) solves all problems, including the Dollar Shortage; and

(2) On the silent expectation that American economic aid will keep flowing at the Marshall Plan pace of an annual $5 billion or so.

The dollar crisis of Europe and the Sterling Area had to burst out anew with the termination of the Marshall Plan, of the post-Korean raw material boom, and of the export stimulation produced by the 1949 devaluation. Some $32.7 billion (net) spent in global boondoggling since the war accomplished little more than to camou-

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IN THIS ISSUE—Pictures taken at Annual Outing of the Bond Club of N. J. appear on pages 21-24, incl. On page 19 are pictures taken at Annual Convention of I. D. A. of Canada which were received too late for inclusion in today's Special Supplement.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

SEYMOUR KATZENSTEIN

Manager, Statistical Department, Hirsch & Co., New York City
Members, New York Stock Exchange and Other Exchanges

Transamerica Corporation

Transamerica Corporation represents a unique composite. It combines investment characteristics, a discount situation, impressive growth possibilities, an oil potential and a dividend which is expected to be free from normal income taxes. Accordingly, in my judgment, this security is an unusual vehicle providing safety of principal, attractive income and better than average appreciation possibilities at this time.

Seymour Katzenstein

The management in the 1951 annual report conservatively appraised the net assets as being equivalent to about $33 a share. It is not difficult on a realistic basis to find that they are worth more than this.

The banking interests include 47 majority owned banks in communities in the States of California, Oregon, Washington and Arizona. There is also held approximately 1,500,000 shares of Bank of America and about 500,000 shares of National City Bank. In all, it is estimated that these are worth around $15 a share. These huge banking interests provide stability and investment characteristics.

Transamerica also owns a group of insurance companies including The Occidental Life Insurance Company of California. Others are the Manufacturers Casualty Insurance Company, Pacific National Fire Insurance, Paramount Fire Insurance Company and Premier Insurance Company. Occidental is one of the fastest growing life insurance companies in the country. It is not unreasonable to believe that some day Transamerica may consolidate these varied insurance interests into one large diversified company somewhat like Travelers Insurance. This group of assets is believed to be worth $12-13 a share of Transamerica.

The real estate property, financing and oil interests add an element of glamour which is not customarily found in staid insurance and banking situations. Capital Company, the real estate subsidiary, has widespread oil interests including mineral rights to 3,700 acres in parts of the Williston Basin. While the company does not intend to wildcat this acreage, its potential nonetheless is not diminished. Capital Company has mineral rights in 111 properties under lease to other oil companies and owns oil leases to substantial acreage in Texas, New Mexico, Montana, Wyoming and Colorado as well as California. There may be included in this group such industrial companies as General Metals Corporation and Columbia River Packers (Bumble Bee brand). This entire grouping is calculated to be worth about $10 a share of Transamerica.

There is thus derived a net asset value of about $38 compared with the present price of $26. This discount of about 30% compares favorably with that which can be obtained from less exciting investment companies.

Recently, Mr. Husbands, President of Transamerica, stated that prospects for tax-free dividends are good for some time to come. Last year's consolidated earnings of $2.30 afford very good protection for the $1.20 regular annual dividend. This year and also in 1951, Bank of America was distributed in lieu of the January 60-cent dividend.

The Federal Reserve Board has just rendered a decision ordering Transamerica to divest itself of some of its bank holdings on the grounds that they are in restraint of trade. The case will be taken to the U. S. Supreme Court. Should the Court decide in favor of the government and large-scale divestments of banking interests be required, here as in similar situations where parts have been distributed, they are likely to prove to be worth more than the whole.

GAYLORD WOOD

Investment Adviser and Publisher of "The Dow Theory Barometer," Fort Lauderdale, Fla.

Dome Mines

The security I like best for the future is Dome Mines.

The bootstrap-lifting methods of the current Administration have so far warded off a post-War II deflation. We were already IN a depression when Korea fell upon us. Business inventories have piled up to a record level of $70 billion. Eventually (and possibly sooner than generally expected) a deflation will hit the country. Thus greater and greater care must be exercised in selecting just the one security that is best for the future. Diversification can cover a multitude of sins. But the selection of a single security will stand out glaringly, if the price declines too severely.

Gaylord Wood

For that reason I feel that it is necessary, even more so in 1952 than it was in 1951, to select a stock that will stand a good chance of declining less than the market as a whole, if a possible wave of selling in the market appears.

Such a security I believe is Dome Mines.

Dome Mines is the third in size of the gold producers in the Porcupine district in Ontario, Canada. Previously faced with the danger of depleted veins, nearby properties have been acquired—thus the potential life span of Dome Mines has been lengthened.

A 63% interest in Sigma Mines (Quebec) is owned by Dome; this interest caused dividends of $313,000 be paid to Dome in 1950. Campbell Red Lake Mines, Ltd., is owned to the extent of 64% by Dome Mines.

Dome has a stake in the rapidly expanding oil industry in Western Canada. Dome owns a 25% interest in the Dome Exploration (Western) Co., which together with Western Leaseholds, Ltd., had an interest in 22 producing oil wells in the Redwater district in 1950.

At the present time Dome is paying 17½ cents a quarter, to yield approximately 3.5%.

It is not, however, on current statistics that Dome Mines common stock should be purchased. The future of Dome would be greatly enhanced if the price of gold should be raised to $50 an ounce. The approach of a postwar business panic merely accelerates the day when the government will raise the price of gold as the easiest method of bringing back prosperous times. (Remember when the price of gold was raised back in 1933?)

If Dome produces around 700,000 tons of ore, a rise in the price of gold to $50 an ounce would doubtless raise the earnings on Dome common to around $1.80 or $2.00 a share. Such earnings might logically place the price of the common in the 30 to 40 range.

In summary, I select Dome Mines as the stock I like best for the future.

This Week's Forum Participants and Their Selections

Transamerica Corporation — Seymour Katzenstein, Manager of Statistical Dept., Hirsch & Co., New York City. (Page 2)

Dome Mines—Gaylord Wood, Investment Adviser and Publisher of "The Dow Theory Barometer," Fort Lauderdale, Florida. (Page 2)

COMING EVENTS

In Investment Field

June 27, 1952 (Cleveland, Ohio)
Cleveland Security Traders Association summer outing at the Westwood Country Club.

June 27-29, 1952 (Coronado, Cal.)
Security Traders Association of Los Angeles annual spring outing at the Hotel del Coronado.

June 27, 1952 (New York)
Investment Association of New York annual outing at the Sleepy Hollow Country Club.

June 27, 1952 (New York City)
New York Security Dealers Association annual outing at Hempstead Golf Club, Hempstead, Long Island.

June 27, 1952 (Philadelphia, Pa.)
Investment Women's Club of Philadelphia annual party in the Mirage Room of the Barclay Hotel.

June 28, 1952 (Chicago, Ill.)
Bond Traders Club of Chicago summer party at the Chevy Chase Country Club.

Aug. 22, 1952 (Denver, Colo.)
Bond Club of Denver - Rocky Mountain Group of IBA Summer Frolic at the Park Hill Country Club.

Sept. 19, 1952 (Chicago, Ill.)
Municipal Bond Club of Chicago annual field day at the Knollwood Country Club.

Sept. 26, 1952 (Philadelphia, Pa.)
Bond Club of Philadelphia annual field day at the Huntingdon Valley Country Club, Abington, Pennsylvania.

Sept. 28-Oct. 1, 1952 (Atlantic City, N. J.)
American Bankers Association Annual Convention

Oct. 5-7, 1952 (San Francisco, Calif.)
Association of Stock Exchange Firms Board of Governors Fall meeting at the Mark Hopkins Hotel.

Will Inflation Come Again?

By JOHN C. DAVIDSON*
Director, Government Finance Department
National Association of Manufacturers

In discussing inflation prospects, Mr. Davidson lays chief inflation causes to government deficits and government cheap money policies. Says budget deficits and loose fiscal policies inevitably cast a shadow over future stability of the economy, and blames public apathy for not averting it. Concludes, however, it is "not too late for a showdown with inflation."

The subject of my talk is "Will Inflation Come Again?" The short answer is that the danger is very great. The reasons lie in Federal fiscal policy; and in public apathy.

John C. Davidson

Inflation, very simply, is new dollars not matched by new goods. The volume of money on the market for goods outstrips the volume of goods available. The result is price increases, which are generally thought of as being inflation itself.

The cause of inflation is not the price rise—it's the increased money supply. An increase in money supply can come about through deficit financing by the government, or by credit expansion by the commercial banks, or both.

Over the past dozen years, the volume of goods in this country as measured by industrial production has doubled. The supply of money increased more than threefold. About two-thirds of the money increase came from government borrowing from the banks to cover its deficits. The other one-third resulted from private loans made by the banks to business on real estate and to consumers for instalment credit. This, the expansion of money supply, is inflation in action.

Now, I want to make one thing very clear and that is—no criticism of the commercial banks themselves is intended. In the first place, private debt is self-liquidating. The paying off of a bad debt cancels the new money to which it gave rise. How long since there has been any real and continuing retirement of Federal debt?

Cheap Money Policy and Government Credit Agencies

In the second place, the banks have simply been caught in the web of the cheap money policy which has been pursued by the Federal Government for 20 years. Only when there has been a complete reversal of this cheap money policy, and a return to the sound concept of money and credit which led to the establishment of the Federal Reserve System, can we have any assurance that inflation will not come again.

The root source of the problem is government deficits, for without deficits there would be no reason for a cheap money policy, and without a cheap money policy the broad base for the undue expansion of our private credit system could not have been established.

And yet, even with the piling up of some $200 billion of deficits in the past 20 years, the planners in Washington have not been satisfied. Aiding and abetting the inflation thus created have been various government credit and loan insurance programs, operating with none of the restraints of the private credit system.

Most of these programs were born of depression, and perhaps had a certain excuse for existence while deflation ruled the land. But what excuse can they have for being continued in a prosperous period, much less in an inflationary boom? It is a characteristic of unrestrained government that they build spigots without handles—they're good at opening the throttle but they shy away from brakes like the plague.

The same proposition is true in regard to spending itself. Mix together some fussy economics, a generous supply of slide rules, and provide an unfettered public purse, and the spending spree is on. Once started, how is it stopped?

The one thing to be sure is that those who started it will not stop it. No bureaucracy has ever dismantled itself. Every emergency, real or engineered, provides excuse for building on to the superstructure of government.

Finally, there comes the biggest emergency of all—overwhelming, powerful, centralized government dominating every aspect of the economic life. Those who have cried "wolf, wolf" would be vindicated, but to what avail?

Federal Deficits Prevented by Pay-As-You-Go Policy

There are many theories about how to prevent Federal deficits and to control excessive Federal spending; but there is only one answer—that is—pay-as-we-go.

Now, pay-as-we-go is a simple phrase, easily understood. It means cash-on-the-barrelhead. It is the opposite of easy credit, soft money.

The problem, however, is how do we get pay-as-we-go? Here we have had serious differences of opinion.

The strong view has been that pay-as-we-go can only be achieved by taxing as much as we spend—even if we do not agree with the spending level. That at least would prevent deficits, and it's Federal deficits that cause inflation. Some believe that such a

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*An address by Mr. Davidson before the White Plains Lions Club, White Plains, N. Y., June 12, 1952.

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*Mr. May's eleventh article in the series on the International Economic Conference in Moscow, which he attended as an accredited correspondent, appears this week.

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SECTION TWO of today's "Chronicle," which is devoted to the 36th Annual Convention of the Investment Dealers' Association of Canada, held at St. Andrews-by-the-Sea, New Brunswick, includes the following articles:

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A Foreign Policy for The Republican Party

By DWIGHT D. EISENHOWER*

Candidate for Presidential Nomination, The Republican Party

In first outspoken political speech, Gen. Eisenhower outlines his own foreign policy, and criticizes some of the actions and positions taken by his political opponent for the GOP Presidential nomination as well as those of the Truman Administration. Warns of threat of aggressive Communism and calls for unity of free peoples and support of United Nations to assure peace. Stresses maintaining our military power and that of our allies through increased productive power, and concludes "we can achieve peace through strength."

In the quiet of my room here in Denver, I want to talk to you this evening in your home. I want to discuss simply—seriously—the problem that is closest to all our hearts: the problem of peace, and the methods available to America to secure for us a peace that will be lasting.

D. D. Eisenhower

Since the time we thought peace had been won in 1945, the tragedy of death of a son on a distant battlefield has been visited upon thousands of our homes. The prayer in every American family is that their son will be spared.

I want to talk tonight especially to those families. I want to talk to the young man facing his turn to serve in the armed forces; to the student whose studies may be interrupted; to the young husband and the young father who may be separated from his family, and to his wife who is left alone. Certainly, those people should know something of the aims and aspirations and programs that can justify their heavy sacrifices.

May I make this one personal reference? I have entered upon a serious political undertaking. Among the reasons which led me to take that step, no consideration weighed so heavily as the argument of my friends that the responsibilities entrusted to me through the last ten critical years and the knowledge derived from that experience would enable me to serve our country, effectively, in the cause of peace. No other cause could so completely enlist me. In brief, I occupy my present position in this political race primarily because I believe that peace may well be at stake.

Let me, first of all, affirm for you my own, deep faith. I believe we can have peace. I believe we can diminish markedly the threat of global war; that we can dispel the clouds over the future and lift many of the heavy burdens now laid upon us.

But I would not be honest if I led you to believe that there is any easy way to peace. There is none. There is no painless, political shortcut; no glib solution.

It is a solemn responsibility that confronts us. On our success depends the achievement of almost all our objectives; the elimination of casualty lists; the easing of our heavy tax load; the stemming of inflation that raises the cost of everything we buy; the dispelling of pessimism; continued progress in bringing to all economic groups in America the fruits of science, of education and production.

Policy to Be Based on Enlightened Self-Interest

As we seek, together, the road to peace we have only one, sure guide. Clearly, our foreign policy and operations must be based, as are those of other nations, upon our own enlightened self-interest. Before every step we take we must ask: is this good for the United States of America; does it promote our security, our growth in well-being and our peace?

This is not selfishness. It is recognition of the fact that a strong, confident, peaceful America is the hope of the free world.

Now, in this problem of our security and peace there is one central fact from which all our other reckonings must proceed. That central fact is a shrunken world in which distance has been almost obliterated and there has developed an unprecedented and increasing interdependence among the nations. By discovery, by invention, by advancing methods of production and the skills of labor, each portion of the world, including mighty America, depends upon other parts for materials it must have.

In their daily lives Americans use an abundance of material things beyond the dreams of any previous time. To get the raw materials to produce these things, we need access to the far corners of every continent. From those places we obtain the items in which we are short or completely lacking such as tin, tungsten, maganese, cobalt, chrome and uranium. Almost every mechanical item we produce for any military or civil use depends upon these imports. Without imports, for example, the television or radio set you now use could not have been manufactured.

Force of Aggressive Communism

Today, into this interdependent world has come a terrible threatening force; the force of aggressive Communism. I have seen that force at close quarters. It is cunning, it is Godless, it aims to destroy all freedom—and most of all, yours and mine, because America is its final and chief target.

The men who direct that force have a vast power.

Already, without a scratch on a single Russian soldier, they have swept nation after nation into slavery. They have moved closer to the sources of supply on which our existence depends. Their undeviating strategy is to continue to close in until, finally, they can destroy our economy and our freedom. And, often, their purpose is better served by political capture of a weakened country than by armed aggression. In this way they gain valuable resources for themselves as they deprive us of equal amounts.

The Communist threat against the free world creates a need for political and military arrangements that will preserve the safety of all and assure the continuance of vital commerce.

Because of the facts of the world situation, I should like to say something to you with all the earnestness I can summon. Those who assert that America can retire within its own borders; those who seem to think we have little or no stake in the rest of the world and what happens to it, those who act as though we had no need for friends to share in the defense of freedom—such persons are ignorant or irresponsible or they are taking an unjustified gamble with peace. They are no friends of America's security. They are living in years long past. Their's is not the counsel of enlightened self-interest. It is the counsel of eventual self-destruction. And the American people have shown time and again that they will not support this stupid and myopic doctrine.

If Communist political and military penetration should take over sources of necessary raw materials indispensable to our economic survival, and if the great productive resources of our present Allies were added to the Communist holdings, we would be in desperate plight. A gaunt and naked America would be encircled by a savage wolf pack.

This bleak scene could be our lot if we heed the false prophets of living alone—who preach that we need do nothing except maintain a destructive retaliatory force in the event the Russian armies should march. Why should armies march if the Communists can count on mere political conquests such as they achieved in Czechoslovakia? When political commissars do the job, the Red Army can save its ammunition for other targets. This will be the result of a retreat by us into isolationism.

Maintaining Collective Security

But it will not happen if we firmly maintain a high order of collective security. I can give you this evening only the briefest outline of the practical program which fits the situation.

First, we must make sure that every nation — ourselves, our friends, and the Iron Curtain countries—understand the sincerity of our devotion to peace. We reject all talk and proposals of preventive war—there is no such thing. Live men and happy families—not stuffed doves—are the symbol of our purpose.

Second, there must be no wavering in our support for the United Nations. Some regard the United Nations exclusively in terms of its shortcomings; others

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*Text of a radio address by General Eisenhower from Denver, Col., June 23, 1952.

Drydock Stocks

By IRA U. COBLEIGH

Author of "Expanding Your Income"

The maiden voyage of the "United States," largest and fastest passenger vessel ever built in America, makes a timely and effective setting for current appraisal of shipbuilding and repair industry.

Outside of agriculture and hunting, the oldest industry in the world is probably shipbuilding. In case you've forgotten, or are a little rusty on your Scripture, the Bible (Genesis VI, to be exact) contains famous specifications for construction of the superliner of those days, Noah's Ark. It was to be built of gopher wood, water-tightened with pitch, to have one door on the side, and one window; and to be 300 cubits (450 feet) long. Well, the new "United States" is 990 feet long and I'll bet Noah, who sailed with all those animals (and only one window), would have given up one of his liquor jugs for the complete air-conditioning equipment of our new queen of the seas!

Ira U. Cobleigh

With this historical and topical allusion to antiquity, I launch into my theme for today, the drydocks. Many of these enterprises are quite old in our industrial fabric, but in the last half century few trades have been of so accordion-like a nature. Vast expansions in two world wars, followed by violent contractions between, have made choppy going for shipyard stockholders, and placed an especially high premium on correct timing for speculative success in this field.

Going back to the 1939-41 period, with Europe already at war, substantial reactivation of shipbuilding occurred. Partly this was impelled by our naval construction program in preparation for war, and partly because of the fact that German shipyards were cut off; and friendly European nations turned to us for new ships. Came our own entry into World War II and, in 1944, we floated out more new ship tonnage of all types, merchant and navy, tug and tanker, than had ever been produced in a single year, anywhere.

By 1946 the shipbuilding industry had virtually built itself out of business. Sales of war-built craft to commercial operators, and mothballing of surplus ships left only reconversion jobs for the shipyards with no new keels, or visible demand for same.

Korean War Sparked Industry

1948 and 1949 ushered in some new orders for tankers and a few cargo ships, but it was not until the Korean outbreak that shipping again got up steam. First there was a scurry to get the mothballers back into action; then a flurry of newly designed naval craft projected to meet the latest defense needs. Among these new orders were atomic submarines, anti-magnetic mine sweepers made of plywood, the liner "United States" capable of immediate conversion to a 14,000-man (a whole division) troop carrier, the $200 million super carrier, and last, but not least, the new "Mariners." These latter are the largest and fastest freighters afloat, with 12,900 tons deadweight capacity. No sitting ducks for sneaky "subs," like the 1941 model Liberty's, these Mariners can go 22 knots. 35 have been ordered and several have already been launched. So you see we're back again, for the third time in this century, with a powerful navy-inspired construction program. Probably the largest peacetime ship program in history is under way all over the world, at an annual rate of over 20 million tons.

And what about the sister trade, repairing? In the Spring of 1950 this section was really depressed. American flag ships were being laid up by the dozen, with foreign vessels increasingly taking over ocean trade-lanes. Intercoastal and coastal lines were hard hit by truck and rail competition. Some repair yards had shut down completely; others were headed that way. And thousands of skilled shipyard craftsmen were drifting to other fields. Overnight, Korea changed all this, first realerting the West Coast yards, then the Naval yards, and now private yards on inland waterways, as well as the seaboards; and, as in 1941, the Navy is providing some 25% of all repair work.

A Cyclical Industry

So in this brief resume, we perceive an industry following an extreme cyclical trend of its very own; and fitting more completely than almost any other you might name, the description "war industry." In peace, other nations build and repair more cheaply than we do, and even the gorgeous greyhound we now salute, the "United States," with its 53,000 tons and 160,000 horsepower, would never have cleaved the Atlantic without government subsidy. It's well named the "United States"—the United States Line put up $28 million, and the United States of America $50 million to build it! Without subsidy, American Merchant Marine would lose out to low-cost foreign yards in the building, and to some 50% lower-cost crew costs in navigation. And yet, in June, 1946—only six short years ago—we owned one-half of the world's tonnage — twice as much as the British Empire.

For the Investor

With all these ships being built, and debarnacled, at pulsating intervals, how does the somewhat intrepid investor gain entry into this field? He must obviously be prepared to ride low, as well as high tides, of maritime fortune. Well, he can partake of these drydock revenues by becoming a shareholder in Bethlehem Steel, which operates big yards in Quincy, Mass., Staten Island, and Sparrows Point. He can probably buy into some of the smaller private yards on the rivers, the Gulf, the Great Lakes or the seaboards; or he can make some selection from the companies shown in the accompanying table, whose shares are publicly held and regularly traded in on our markets.

Of the companies mentioned in the table, Bath is quite a specialized naval producer, but one of its principal items, the destroyer, has not been heavily stressed in

COMPANY	1951 Earnings	Current Dividend Rate	Price About	% Yield About
Bath Iron Works	*$2.60	$2	$21	9.50%
†General Dynamics Corp.	*3.75	2	31	6.45
New York Shipbuilding	2.35	--	16	---
Newport News	4.28	3	34½	8.90
Todd Shipyards	*7.50	4	61	6.55

*Estimated. †Formerly Electric Boat Co.

recent Navy plans. You are all familiar with Electric Boat's (now a division of General Dynamics Corp.) recent launching of the atomic sub, with another reported to follow; but actually another division of General Dynamics, Canadair, Ltd., largest Canadian aircraft producer, offers more impressive corporate earnings prospects.

New York Shipbuilding lost some $9 a share in 1950 through an unfortunate series of production delays but should do quite well this year.

Top-Rung Equities

However, in view of the risks native to all shipyards, perhaps picking the top-rung equities for consideration may be the part of wisdom. In that case we'd want to start with Newport News Shipbuilding and Dry Dock Co.

Fabulous builder of hundreds of Naval craft in World War II, Newport is a financially solid enterprise with working capital at the 1951 year-end at $25.65 a share. At the same time the order backlog was $353 million—up from $100 million on Dec. 31, 1950. The biggest piece of business now on hand is, of course, the $218 million giant flat-top, the U.S.S. Forrestal, with six tankers for Esso, and four for Texas filling out the commercial side of the order book.

Balanced operations in 1951 brought in 42% of gross from building, 41½% from repairs and conversions and 16½% from hydraulic turbines and other general work.

NND has paid $2.50 or better in dividends on the 800,000 extant shares (sole capitalization) in each year since 1941; and current earnings, buttressed by an E.P.T. exemption of $6.60 per share, suggest that the $3 paid last year might be repeated. Sailing with Newport at current prices should not prove too stormy.

Long Dividend Record

Todd Shipyards is not only among the world's largest ship repair enterprises, but it also boasts an uninterrupted dividend record going back to 1916, including a 2-for-1 split in 1948. Yards in Brooklyn, Hoboken, N. J., San Francisco, Seattle, New Orleans, Galveston and Houston do a pretty good job of covering the waterfront. These provide piers, drydocks, cranes, ships and power houses for building, repair and conversion of every sort of vessel.

Added to that, Todd also manufactures burners and combustion equipment for use asea and ashore, and does a world-wide business with its patented fog-spraying insecticide machines, and Thermal Fog Dispersal System, used by airports.

Finances are thoroughly uncomplicated with only 268,696 shares outstanding, traded on the New York Curb; and working capital on March 31, 1952 (fiscal year-end) of $81 per share. Earnings were $9.72 a share for the 12-month period then ended, and this, after taxes at 68%, gives some confidence in dividend continuance at the present $4 annual rate.

Todd appears sound, progressive, and highly solvent; adding, in the past year, vessel building at Houston, as a departure from its traditional peacetime policy of repairs only. Todd, while no market gyroscope, probably offers more stability than most shipyard equities.

The general prospects for the next two or three years certainly favor sustained, high level shipyard operations; and earnings, which, on government work are limited at 10% before taxes and renegotiation (if any), could well support current dividend schedules of the leaders. If you have not, up to now, included nautical securities in your market list, then you may, sometime, want to get aboard some of these drydock stocks.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Overall industrial production for the country-at-large was again adversely affected in some degree by the current steel strike and other labor-management controversies. Prospects for industrial output in the immediate future are not bright since rapidly dwindling stocks of steel are expected to force some major armament makers to halt operations within a week. Aggregate industrial production was moderately below the high level of a year ago and about 10% under the record reached during World War II. With respect to total claims for unemployment insurance benefits, latest reports reveal that while they slipped to the lowest level this year, they were, nevertheless, about 12% above the year before.

The steel situation the past week still continued unchanged with output hovering around 12% of capacity for those mills having contracts with the union.

Consumers are sounding a frantic note in the steel market this week, states "The Iron Age," national metalworking weekly. Plant by plant, the awful attrition of the strike is beginning to bring manufacturers to their knees. Hit first and hardest are defense plants which need special types of steel. But other manufacturers are being forced to curtail production, too.

Last week's first trickle of cutbacks has already mounted to an imposing list. Another week of strike will turn the steady stream of plant closures into a torrent.

The impact of plant closures for lack of steel is worse than it sounds. All vendors and suppliers of these plants are being notified by telegram to stop shipment—in some cases to stop production, adds this trade journal.

The steel vacuum is beginning to strangle auto plants, too. Despite rapidly sinking supplies, they are making every effort to operate through June. They fear that cutbacks now might jeopardize future steel quotas set by the National Production Authority. This is likely to result in completely empty pipelines which will make production even more difficult to get rolling at the strike's end, this trade authority asserts.

If Union Chief Phil Murray persists in refusing to trade the union shop, President Truman will be left holding the red hot steel case. Use of the Taft-Hartley Act appeared this week to offer the only hope of an early resumption of steel production. By week's end the production loss will amount to 9.5 million tons of ingots.

While Mr. Murray, probes for a union shop opening, he has plenty of other problems to deal with. He has the job of explaining to steelworkers why the strike continues when the companies have offered to meet most of their economic demands, this trade weekly notes.

If they were given the opportunity, many steelworkers would accept the industry's last offer of 24.6¢ per hour in wages and fringe benefits without the union shop. A poll conducted by the Beaver Valley (Pa.) "Times" indicated an overwhelming sentiment by steelworkers to accept the offer. Of 717 ballots received 630 favored accepting the industry offer and returning to work, while 87 were opposed. Affirmative votes were 87.9% of the total, states "The Iron Age."

The offer to reopen a few steel plants for limited defense production also poses a problem for Mr. Murray. He will have to explain to jealous locals why some workers are allowed to go back to work while others remain idle, it declares.

Heavy melting steel, the last stronghold in the scrap market, fell victim to the steel strike this week. The steelmaking grades were $2 to $5 a ton lower in several market areas. **This lowered "The Iron Age" scrap composite price** $2.50 a ton to **$39.50 per gross ton, the first free market adjustment since prices were frozen Feb. 7, 1951. Cast scrap and blast furnace grades were already selling below ceiling.**

In the automotive industry last week passenger **car output** dropped only **0.4% to 94,687** units as against 95,080 (revised) units produced in the preceding week, but auto makers "apparently" have decided to "drive for all the production possible" before the steel strike "drastically curtails" or shuts down their plants in July, states "Ward's Automotive Reports."

Chrysler Corp., General Motors Corp., Ford Motor Co. and independent producers are facing suspension in operations at their plants early in July, according to "Ward's."

The above agency estimates that a total of 2,198,000 passenger cars will be made in the first half of this year, or about 143,000 more units than would be permitted against National Production Authority allocations for that period. Those companies which will have exceeded their Federal output quotas include: General Motors, Chrysler, Ford, Studebaker, Nash and Willys-Overland.

Although down slightly from the previous month, the volume of building permits for the month of May remained at a fairly high level, totaling **$408,633,113** for the 215 cities reporting regularly to Dun & Bradstreet, Inc. This reflected a decline of 6.3% from the May 1951 sum of $436,074,181, and a drop of 1.6% from the April figure of **$415,466,459.**

For New York City alone, building plans filed during May had an estimated value of $62,146,322. This was 1.0% less than May last year with **$62,762,259,** but it was 17.0% above April's $53,123,323.

Steel Output Unchanged From Week Ago At 12.1% of Capacity

The metalworking industry today had enough steel to run at least two weeks, without a slackening of pace, reported "Steel," the weekly magazine of metalworking on Monday of this week. That would take the industry up to the Fourth of July when mass vacations of a week to two weeks will defer the full impact of the steel strike.

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"HOW DOES KREMLIN LIKE IKE and AVE?"—Do We Care?

By A. WILFRED MAY

Already in the current Presidential campaign is the device being employed of charging the opposition with having won popularity with the nation's enemy.

A. Wilfred May

Thus Mr. Averell Harriman, hitting the earthy hustings of domestic politics after his successive careers as Wall Street financier and Long Island poloits, diplomat, top government administrator at home and abroad; "warns" the American electorate that the Soviet villains welcome the prospect of a November victory by his rival party. In a speech in Spokane, Washington, Monday, June 23, as reported in the New York "Times," candidate Harriman depicted Stalin as "looking at the American election of 1952 with the hope that the policies of the Republican Old Guard will regain control of the country."

Mr. Harriman attempts to legitimize this aspersion above the political-brawl level by basing it on "my knowledge of the Soviet leader's thinking processes gained during my ambassadorship to Moscow in the World War II period." Our former diplomat's researches on the Politburo's mind conducted from the American embassy in Moscow during the US-USSR's comparative honeymoon interval of 1943-1946 has led him to the serviceable discovery that Uncle Joe was confidently expecting the great American depression turning into amazement and annoyance with the Fair Deal Democrats when it failed to materialize.

Capitalizing on the Old Marxist Line

Surely Mr. Harriman did not require a sojourn in Russia to learn of the Soviet's expectation of the capitalist countries' postwar depression. The "inevitable" economic collapse of the capitalist economies is a basic Communist tenet promulgated in the bibles written by Marx, Lenin, et al.

In any event, surely this country's electorate must choose its domestic economic policies as well as its course in foreign relations, along with the Chief Executive to implement them, according to its own self-interest and wholly irrespective of for whom the enemy is rooting.

There is nothing new in the campaign stunt of Mr. Harriman's, excepting for the wrinkle of his exploitation of the fortunate coincidence that he "has been to Russia." At the 1940 Republican Convention in Philadelphia the anti-Landon pro-Willkie-ites stressed the fact that the Nazis preferred isolationist - Alfred to interventionist - Wendell. In the subsequent campaign the Democrats applied to Willkie the smear of popularity - with - Communists. Thus, Dorothy Thompson, then an ardent Roosevelt-supporter on the premise that the Reds abroad as well as here were backing Willkie, in a radio address typically charged, "when you vote for Willkie, you businessmen and farmers, you are voting for Communism and voting for the Communist policy toward our defenses." Incidentally, John Lewis was cited by Dorothy as a Commie stooge supporting Willkie.

Roosevelt Received the 1944 Brickbats

In 1944 conversely, it was Roosevelt who was on the receiving end of the foreign public-relations charges. Much political capital was made of FDR's popularity with the Kremlin in Moscow and its Communist minions here. So great was the political embarrassment accruing to him from this Communist-rooting, that FDR was finally forced to take cognizance of it in a major campaign speech just a month before Election Day, when he came forth with the carefully prepared disclaimer: "I have never sought and I do not welcome the support of any person or group committed to Communism, or Fascism, or any other foreign ideology which would undermine the American system of free competitive enterprise and private property."

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Some Advantages of High Taxes

By ROGER W. BABSON

Among advantages of high taxes listed by Mr. Babson are: (1) they are an incentive to hard work; (2) they force many older persons to continue as producers; (3) they create more interest in government, and (4) may result in increased charitable gifts. Warns taxes must not destroy profits.

Now that the first half of the year 1952 is nearly over, income tax reckoning still leaves in its wake a raft of questions. For instance, if someone should ask about the effect of income taxes on profits, the answer would seem to be obvious. Taxes bite into profits and apparently bring about slimmer margins between sales and costs. Business tries, however, to make up for this shrinkage in profits by expanding the volume of sales.

Roger W. Babson

Taxes May Help Business Temporarily

There are also other "silver linings" to the cloud. I hate high taxes as much as any reader does, but we should realize that **indirectly** such taxes may have certain advantages: (1) High taxes make us all work harder; (2) As high taxes are hardest on retired people living on a fixed income, these higher taxes are forcing many of them to again become producers; (3) High taxes should make us all more interested in electing a better government; (4) High taxes may result in increased gifts to churches, hospitals and charities.

Even "excess profits" taxes have certain compensations. For example, at maximum rates, 77 cents of every dollar of excess profits may go to the government in taxes. But if the corporation decides to spend what would go into its excess profits for research, advertising, or employing more salesmen, it could do so advantageously. Every dollar of such outlay would then cost the corporation only 23 cents. Companies in a position to make use of these "thrifty" dollars might better maintain buildings and expand sales efforts.

Taxes and the Stock Market

Now, with some degree of certainty of earnings at the level where excess profits begin, there might even be a reflection thereof in higher prices for the company's shares. What would be the position of the stockholder in such a case? The higher stock prices might bring about long-term capital gains if more of the earnings are later converted into dividends.

By spending money that otherwise would go to taxes, the competitive position of the company should be improved. It should have an advantage over competitors who do not have excess profits for expansion of business out of tax money. Excess profits may well increase the advertising in newspapers and magazines.

Government Must Permit Profits To Continue

Corporate profits provide over one-third of the income of the Federal Government. It is a paradox that the tax program, which eventually might be a drag on incentive, may, for a time, itself provide an incentive to expand. In addition, the government needs the success of every business it taxes to continue its defense program.

Some firms, which may otherwise barely break even, may then remain in the field, due to the high level of economic activity. So the tax program, which threatens to take away with one hand, also gives advantages with the other. There is opportunity to expand and freedom to look forward to profits.

Businessmen Should Not Get Discouraged by Bad News From Abroad

Stockholders can be sure there is no stock market behind the Iron Curtain! A stock market depends upon free enterprise by those companies whose shares are traded. Buying and selling then depends on available money and the existence of confidence in the future.

But taxation is not lacking behind the Iron Curtain! Taxes are collected in Russia so as to retard enterprise and activity. To meet the challenge of those governments, however, we must show by our actions and faith that the fuller life, offered by the free world, pays. We must maintain not only the freedom to work, save, and invest, but **we must work and save and invest.**

Geo. Searight Dealer Relations Counsel

George A. Searight has opened his own office at 50 Broadway, New York City, and has accepted appointment by B. V. Christie & Co. of Houston, Texas, to represent them in dealer relations.

George A. Searight

Mr. Searight has had wide experience in the securities business, having recently resigned as Manager of the Dealer Relations Department of Eisele & King, Libaire, Stout & Co., New York City. Prior thereto he was Vice-President of First Colony Corp. He is Secretary and a member of the Board of Governors of the New York Security Dealers Association, and has long been active in the Wall Street Post of the American Legion in combating Communism.

Mr. Searight will counsel clients in dealer relations problems, but does not contemplate acting immediately as a securities broker or dealer.

Story of the Steel Decision— Its Meaning to You and Me

By THEODORE KIENDL*

Partner, Davis Polk Wardwell Sunderland & Kiendl

Steel companies' attorney relates story of Government seizure of steel mills, and the subsequent suits and judicial opinions which led to the final decision of a majority of the U. S. Supreme Court declaring the President's seizure action illegal. Lauds rapid progress in settling the case judicially and states court's final decision reaffirms traditional principle that "ours is a government of laws and not of men."

On April 8, 1952, the President of the United States signed an Executive Order authorizing and directing the Secretary of Commerce to take possession of and operate the steel mills. It was complied with immediately and possession taken by Charles Sawyer at 12 midnight that same day. Just as immediately the steel companies brought suit to enjoin the seizure and for repossession of their properties. Thus began the case that has attracted more public interest than any other case in American history.

Theodore Kiendl

On June 2, 1952, the Supreme Court of the United States affirmed the judgment of the District Court for the District of Columbia which granted the applications of the steel companies for preliminary injunctions. On that same day the President directed the Secretary of Commerce to return the properties to their rightful owners. Thus ended the litigation that had been commenced less than two months before, litigation that has been repeatedly described as momentous and historic as any that has ever been instituted during the entire life of our nation.

Rapid Progress of the Case

A discussion of the Steel case before an audience of this size and character would be incomplete and perhaps misleading without some observations as to certain aspects of the case which might have escaped the attention of the public.

First, it should be mentioned that the case ran its course through the District Court, the Court of Appeals for the District of Columbia, and the United States Supreme Court in such an amazingly short time that there is nothing comparable to it in the records of the courts of this country. The case stands out as a monument to the rapidity with which even our most important cases can be finally disposed of in our courts. No one can say that justice was delayed in this case.

On April 24, two weeks and two days after the President issued the Executive Order, motions for preliminary injunctions to restrain and prevent the Secretary of Commerce from taking any steps to carry out the Executive Order were being orally argued before District Judge Pine. It was my good fortune to be permitted to present the first and the longest argument to this Judge, on behalf of the United States Steel Company. The oral arguments consumed the better part of two court days.

Four days later, Judge Pine handed down the decision that electrified and inspired this country and all interested in the preservation of our American institutions and our American way of life. I shall refer to it again. Judgment in accordance with his opinion was entered on April 30. Within two days, filled with applications for stays and oral arguments before the Court of Appeals for the District of Columbia, both sides were applying to the United States Supreme Court for what are legally called writs of certiorari. A writ of certiorari is simply an order to review the lower court's decision.

One day later, on Saturday, May 3, in the afternoon, the Supreme Court announced that the applications were granted, and cases were set for oral argument in that court on Monday, May 12, nine days later. It is impossible for any one unfamiliar with the legal requirements to comprehend fully what that entailed. The record on appeal had to be prepared and printed. It consisted of a volume of 458 printed pages and you can imagine that 24 hours a day were barely time enough for the amazingly thorough job that was done by the corps of lawyers engaged in that undertaking on an around-the-clock basis.

Even more important and equally amazing, the written arguments were prepared and printed in that same short space of time. A joint brief on behalf of all the steel companies of 99 printed pages with an Appendix of 15 printed pages was filed. One of my partners, Porter Chandler, undertook the task of superintending its preparation. With a staff of younger lawyers under him, and with the invaluable assistance of our Washington associate counsel, the first draft was ready by Thursday morning. That day, and thereafter, this draft was revised, amended and edited by the lawyers for all the steel companies until the final product was completed and printed on Friday night, six days after the Supreme Court took the case. The importance of the written argument is often overlooked by those unacquainted with the intricacies of our judicial processes. It cannot be overemphasized that this brief proved to be a most important factor in the result accomplished. It was a great piece of work and I can say that without any immodesty as I had very little to do with its preparation. You will be surprised to learn that 3,500 copies of our brief were printed and the demand from all sources has been so tremendous that the supply is practically exhausted and 500 or more additional copies will have to be printed. So far as I can ascertain, this is without parallel in appellate history.

On Monday, May 12, 1952, a lawyer 79 years of age, who had been intensively practicing his profession for 57 consecutive years, presented the oral argument for all the steel companies. Commenting editorially on his presentation, a great metropolitan daily described him as a "venerable but sturdy figure seeming to personify the spirit of constitutionalism." I sat next to him and can attest to the fact that he did a superb job. You would expect him to excel in advocacy as he has been the acknowledged leader of the American bar for well over a quarter of a century, and has argued more cases in the Supreme Court than any lawyer living or dead. More than one qualified source has de-

*An address by Mr. Kiendl before the 56th Annual Convention of the New York State Bankers Association, Spring Lake, New Jersey, June 21, 1952.

clared that his argument of the Steel case was the greatest he ever made. His name is John W. Davis. As one of his partners for the past 29 years and as the lawyer who has been more closely associated with him professionally than any other man during that long period, I am proud to pay this tribute to the greatest advocate this country has ever produced, a lawyer who will become immortal, a lawyer who belongs not only to his firm and his profession but to his country and to posterity.

The oral arguments continued throughout two court days. In less than three weeks' time, and on June 2, the Supreme Court announced its decision, and the action taken by the President and the Secretary of Commerce in accordance with it that very day ended the litigation.

Such expedition in the final determination of a vitally important Constitutional question is unique. Everybody connected with the case, lawyers and judges alike, worked at break-neck speed, under tremendous pressure, and from a time standpoint, at least, the case was phenomenal.

Government's Attorney's Arguments

Secondly, you should be informed of what I think is now more or less generally regarded as the impossible position taken by the Government in the District Court and in a more limited way repeated in the Supreme Court. In an attempt to answer our contentions that the action taken by the Executive constituted usurpation and smacked of autocracy, the Assistant Attorney General Mr. Balbridge took refuge in this untenable argument:

"The Court: So you contend the Executive has unlimited power in time of an emergency?"

"Mr. Balbridge: He has the power to take such action as is necessary to meet the emergency."

"The Court: If the emergency is great, it is unlimited, is it?"

"Mr. Balbridge: I suppose if you carry it to its logical [fol. 1371] conclusion, that is true. But I do want to point out that there are two limitations on the Executive power. One is the ballot box and the other is impeachment."

"The Court: Then, as I understand it, you claim that in time of emergency the Executive has this great power."

"Mr. Balbridge: That is correct."

"The Court: And that the Executive determines the emergencies and the Courts cannot even review whether it is an emergency."

"Mr. Balbridge: That is correct."

A schoolboy knows that the limitations on the Executive power of "the ballot box" might well be invoked as long as almost four years too late. A schoolboy also knows that the limitation of "impeachment" is an almost impossible remedy for an accomplished illegal and unconstitutional seizure of property. And if the judiciary is powerless to review the Executive's determination of the existence of an emergency warranting seizure of private property, as Mr. Balbridge so positively asserted, would that not lead us a long way on the road to Totalitarianism?

Mr. Balbridge also asserted:

"The Court: So, when the sovereign people adopted the Constitution, it enumerated the powers set up in the Constitution but limited the powers of the Congress and limited the powers of the judiciary, but it did not limit the powers of the Executive [fol. 1382]. Is that what you say?"

"Mr. Balbridge: That is the way we read Article II of the Constitution."

"The Court: I see. I have never heard that view expressed in any authoritative opinion of any court."

Such unrestrained and unlimited power in the Executive is a concept so alien to our tripartite constitutional form of government that its very assertion indicated the inherent weakness of the Government's position.

There was a belated attempt on the part of the Government to recede from this extreme position, but at no time and at no place that I am aware of did the Government frankly concede that the courts were empowered to determine that the seizure was illegal and unconstitutional. No matter how it was approached, the Government's position had to be that the Executive is vested with supreme power, contrary to our American conception of the doctrine of separation of powers. No amount of rationalizing,no amount of equivocation, no invocation of the never-ending existence of crises or emergencies, nothing could conceal the inevitable fact that the government had to succeed or fail on the bald proposition that in this situation the President was above the law. It would have shocked the confidence of the American public in the democratic form of government under which we live, if that proposition had received final judicial approval.

Judge Pine's Decision

Now I return to Judge Pine. Here was a District Court judge, appointed by a President whose political and administrative philosophy was not dissimilar from that of the present incumbent of the White House. Suddenly confronted with the contention that Executive action exceeded Constitutional limitations, he decided one of the most important Constitutional questions of all time in a comparatively short space of time and in a truly remarkable opinion. He squarely decided that the seizure was illegal and without authority of law, that the courts have power to negate Executive action, that the damage is irreparable, that the balance of the equities is on the side of the steel companies, and that they have no adequate remedy at law. This courageous and able judge delivered an opinion that has been broadcast everywhere, and it is not an overstatement to say it

Continued on page 34

Defense and Sound Money

By W. RANDOLPH BURGESS*

Chairman of the Executive Committee of The National City Bank of New York

Asserting we are faced with a war of dollars, as well as war of weapons and ideas, prominent New York banker says we must win on all these fronts if nation and its economy is to continue. Warns if burden of economic aid abroad, combined with rearmament, saps our economic strength, we'll have inflation and economic chaos throughout world. Says real world problem is the American budgetary problem.

The cold war in which the United States is now engaged is a war on three fronts. It is a war of weapons, a war of dollars and a war of ideas. In every great war, the principal contestants have tried to avoid a war with more than one front. Hitler's downfall came when he spurned that principle.

W. R. Burgess

The United States and its associates could lose this war by neglecting any one of the three fronts which we unavoidably face. Unfortunately, today we are not performing with brilliant success on any one of the three fronts.

On the weapons front, progress depends on technology. It took us about two years to get going on the production of superior weapons in both World Wars I and II. Our progress this time has been even slower, partly because the weapons are more complicated, but also because we have tried to have guns and all our butter at the same time. We have not sacrificed enough civilian comfort to ensure speed in the arms program. Nevertheless, solid progress is being made, both in manpower and weapons, and in the greater cohesion of our allies.

In the war of ideas, we have done a good deal of fumbling and bungling. This is not primarily a matter of propaganda, though the dissemination of facts is part of the picture. The war of ideas rests more largely on the character and consistency of the face we present to the world by our policies and our action. It rests in part on the war of the dollar—our basic economics. While there are, indeed, deep spiritual and moral questions at issue between the Western democracies and Russia, state socialism is also an economic idea. Our world of free enterprise will win the minds of men, in the long run, by proving to the people of the world that under our organization of government there are fewer empty stomachs and more human satisfactions.

Visitors returning from Europe report grave concern among well-informed people about the economic strains that Europe is suffering. The worldwide inflation of the past two years has raised the prices of raw materials and increased the costs of production, and thus has put a terrific strain on the balance of payments of Great Britain especially, whose currency is historically so vital to world trade.

The added strain of armament, piled on top of the struggle to rehabilitate their economies, means that many of the countries of Europe wonder where they are going to get the money to buy their food in the coming months.

Much same situation prevails with the countries of Asia, which are on the periphery of the Soviet and which are subject to pressure, internal and external, from communism. India and Pakistan, Indonesia, Japan, the Philippines, all of these countries are battling with acute economic problems, on the solution of which their orderly survival as free countries rests.

Our great dilemma lies in the fact that our dollars are needed for our armament program and to aid these countries to whom a little economic help is so necessary. At the same time, if we pour out our dollars beyond our strength to generate them, so that we do it by inflation, in effect by printing money, we create here an economic disturbance whose ripples flow out all over the world. We may, in fact, do more damage to economic stability by overspending than we can offset by any contributions which we can make.

In many ways, the best contribution which the United States can make to the economic stability of the world is to keep the American dollar sound, to avoid inflation and deflation in the United States.

This is the peculiar problem of fighting a cold war on three fronts: to find ways of using our dollars so economically and so effectively that the job of rearming and giving economic aid can be kept consistent with a sound, stable, economy here.

So, no matter where we start on the world problem, we come back to the American budgetary and monetary problem; and we can rephrase the question in terms of our own budget, by saying that about the most important thing we can do for world stability is to balance our budget and follow sound monetary policies. To do that, and at the same time accomplish our purpose in rearming and strengthening our partners, means the utmost of economy and wisdom in our expenditures.

Victory in the cold war is not something we just go out and buy. The law of diminishing returns sets in very soon. The soundness and wisdom of our policies, all the way from the choice of the weapons we produce to the trade treaties we make, will determine the effectiveness of our dollars.

*Excerpts from an address by Mr. Burgess before the 56th Annual Convention of the New York State Bankers Association, Spring Lake, New Jersey, June 21, 1952.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Canadian Business Review—Monthly bulletin—Bank of Montreal, Montreal, Que., Canada, and 64 Wall Street, New York 5, N. Y.

Canadian Commercial Letter — Monthly bulletin — Canadian Bank of Commerce, Toronto, Ont., Canada.

Canadian Review—Monthly bulletin—The Bank of Nova Scotia, 49 Wall Street, New York 5, N. Y., and 44 King Street, West, Toronto, Ont., Canada.

Fire and Casualty Insurance Stocks—Analysis of 1951 results—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Montreal Stock Exchange—Montreal Curb Market—Descriptive booklet of Montreal markets and review of trading activity—Montreal Stock Exchange and Montreal Curb Market, P. O. Box 1676 "Place d'Armes," Montreal, Que., Canada.

Natural Gas Industry—Review with special reference to **Chicago Corporation, Taylor Oil & Gas Co., Republic Natural Gas Co.** and **Shamrock Oil & Gas Corp.**

Oil in Latin America—Discussion in current issue of "Latin-American Business Highlights"—Chase National Bank of the City of New York, Pine Street, corner of Nassau, New York 15, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Pulp and Paper—Analysis of the industry with special reference to **Powell River Company Limited** and **St. Lawrence Corporation Limited**—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada.

Textiles—Study—Bache & Co., 36 Wall Street, New York 5, N.Y.

Treasury Financing—Bulletin—Goodbody & Co., 115 Broadway, New York 6, N. Y.

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Ajax Petroleums, Ltd. — Study — Price, McNeal & Co., 165 Broadway, New York 6, N. Y.

American Optical Company—Data—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill. Also available are data on **McGraw Electric Company** and **Lone Star Steel Company.**

Carrier Corporation—Analytical brochure—Harriman Ripley & Co., Inc., 63 Wall Street, New York 5, N. Y., and Hemphill, Noyes, Graham, Parsons & Co., 15 Broad Street, New York 5, N. Y.

Central Louisiana Electric Company—Reprints of address of F. Hugh Coughlin, President of the company, delivered at a meeting of New York Society of Security Analysts—Central Louisiana Electric Company, Inc., P. O. Box 111, Alexandria, La.

Citizens Utilities Company—Analysis—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

County Trust Co.—Memorandum—Rutberg & Co., 31 Nassau Street, New York 5, N. Y.

Eastern Utilities Associates—Analysis—May & Gannon Inc., 161 Devonshire Street, Boston 10, Mass.

Electric Bond & Share—Memorandum—Ira Haupt & Co., 111 Broadway, New York 4, N. Y.

Electro Refractories & Abrasives Corp.—Memorandum—Hamlin & Lunt, 2 Wall Street, New York 5, N. Y.

General Tire & Rubber Company—Analysis—Van Alstyne Noel & Co., 52 Wall Street, New York 5, N. Y.

Glass Fibres, Inc.—Memorandum—Ames, Emerich & Co., 105 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Kellogg Co.**

Hoffman Radio—Circular—Raymond & Co., 148 State Street, Boston 9, Mass.

International Harvester—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **McLellan Stores.**

International Nickel Company of Canada — Analysis — E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Jacobs Aircraft Engine Co.—Bulletin—Kelly-Manly, Inc., 30 Broad Street, New York 4, N. Y.

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Goldberg, Wagner Now With Clayton Secs.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Harold S. Goldberg and Milton V. Wagner have become associated with Clayton Securities Corporation, 82 Devonshire Street, members of the Midwest Stock Exchange. Both were formerly associated with J. Arthur Warner & Co. In the past Mr. Goldberg was an officer of Davenport & Co., Inc.

John H. Kugels Welcome Son

Mr. and Mrs. John H. Kugel (Kugel Stone & Co., 20 Broad Street, New York City) announce the birth of a son on June 23 at Harkness Pavilion. The Kugels now have two sons and two daughters.

Nat'l Securities Co. Formed in Wichita

WICHITA, Kans.—National Securities Co., Inc. has been formed with offices in the Schweiter Building to continue the investment business formerly conducted by The Dunne Company.

Colombian Mortgage Bank Bonds Extended

Agricultural Mortgage Bank (Banco Agricola Hipotecario) is notifying holders of various Colombian Mortgage Bank Bonds that the time for exchange of these bonds for Republic of Colombia 3% external sinking fund dollar bonds, due Oct. 1, 1970, is extended to July 1, 1953. The time for exchange of Convertible Certificates for the 3% external sinking fund dollar bonds also has been extended to Jan. 1, 1954. The National City Bank of New York is exchange agent.

Joins Goddard Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Paul L. Hutchinson has become connected with J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange. He was previously with J. Arthur Warner & Co., Inc., and in the past with Davenport & Co., Inc.

Joins Clayton Securities

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Bliss Boardman has become associated with Clayton Securities Corp., 82 Devonshire Street, members of the Midwest Stock Exchange. Mr. Boardman was formerly with J. Arthur Warner & Co., Inc.

Draper, Sears Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Gerard A. Doherty has been added to the staff of Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jack Miller is now with King Merritt & Co., Inc., Chamber of Commerce Building.

With First of Michigan

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Forest B. Fisher is now affiliated with First of Michigan Corporation, Buhl Building, members of the Detroit and Midwest Stock Exchanges.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—Lawrence B. Ritter is now affiliated with Waddell & Reed, Inc.

From Washington Ahead of the News

By CARLISLE BARGERON

It is very seldom that you get any enlightenment out of a Presidential or any other political campaign and certainly this applies to the pre-convention campaigns. For example, the recent primary in Wisconsin turned probably as much upon the political ambitions of Phil LaFollette as it did upon the respective candidacies of Taft and Warren. LaFollette, whose father established the LaFollette dynasty in the State and who, himself, came to be Governor, was trying to make a comeback on the Eisenhower-through-Warren coat-tail. He was at once an asset and a liability to the General and the California Governor.

Carlisle Bargeron

Nevertheless, in Eisenhower's candidacy we are beginning to learn things we never knew before, adding, as it were, to our sum total of knowledge of the men and events that have gone before. Campaigning for the Presidency, Eisenhower says it was not he who wanted to make concessions to Stalin to get him into the war with Japan; it was not he who wanted a dismemberment of Germany for which we are now paying. His voice, he says, was disregarded. At Potsdam, he says, he urged that Stalin not be encouraged to enter the Japanese war because he had learned that nothing could keep Stalin out and he had learned of Stalin's penchant for claiming he won the wars. At this time, the deal with Stalin had already been made by Roosevelt at Yalta. The General says his voice was disregarded at Potsdam and you wonder if he, the General of the Armies in Europe, had had any voice or even had spoken in regard to Yalta.

At Potsdam he could have had no greater admirer than Harry Truman, just come to the Presidency and a man of tremendous humility. It was here that Truman told Eisenhower he would do what he could to get for Eisenhower the greatest office in the land. Yet his protestations against the dismemberment of Germany were disregarded.

But in relation to Yalta and the concessions that were made to get Stalin into the Japanese war once the European war was ended, Admiral Leahy, the President's right hand man, has said, rather timidly, that he counselled that Stalin was not needed, and it has been established the Navy generally felt it had about bottled up Japan and it would only be a short time before that country sued for peace. The Army, as I have always understood it, was agitating that we would have to land five million men in Japan. Certainly this was the public attitude of General Marshall at the time.

General Eisenhower has not talked about how he felt, at the time of Yalta, in regard to Stalin's participation in the Japanese war.

He has, however, denounced the secrecy of the agreements reached at Yalta. And at Potsdam, he had no illusions about the Russians; he knew them so well that it was not a question of getting them into the Far Eastern war, it would be impossible to keep them out. Under the circumstances, he could not have been one of those insisting that deals be made with Stalin at Yalta.

Well, where did the advice to Roosevelt come from? Not from the Navy, not from Eisenhower. It must have come either from General Marshall, from Roosevelt's leftist civilian advisers or from Roosevelt's determination to have such advice.

But aside from this, you get the impression that Eisenhower had little voice in the direction of the war. He did what he was told to do and this quality of his uniquely fitted him for this job under Roosevelt. On one occasion in his Presidential campaign, he has sought to disassociate himself from the direction of the war to the extent of saying in a speech, in effect: "You lieutenants in the crowd will understand what I mean."

The point was that lieutenants are supposed to do what they are told without asking questions. But I have never understood that Generals were unassertive or passive men. I am quite sure you will find no milquetoasts among them. They are most aggressive and articulate men who have beaten their way to the top. A man who can sit down coolly and make calculations about a particular undertaking involving 10,000 men as a businessman might figure an outlay of capital, is not, to my mind, a fellow who will step quietly aside and let other men run over him. He is a very determined and grim man, firm in his convictions of what is right and wrong and schooled in having his way. Indeed, political leaders who make generals have a hard time keeping them from breaking over the traces.

But Eisenhower, apparently, was most tractable to the President who gave him his job. Lincoln undoubtedly would have given a lot for such as he. You wonder just how amenable the General would be and to whom, if he became President.

Price Control and Inflation

By ELLIS G. ARNALL*
Director of Price Stabilization

Asserting we can prevent inflation by effective legislation and with full cooperation of public, Price Stabilizer urges a program of higher taxes, together with restrictions on spending, on wages and on prices, as well as other restraints. Calls on every businessman to support price control program, and says his own office "is doing its best to stabilize prices." Warns price situation is still serious, and "things are not getting cheaper." Contends OPS was created to aid and help business.

Our nation has experienced two opposite extremes of economic disruption within the brief period of one generation. First, we had a depression accompanied by widespread unemployment, and then an inflation resulting in excessive cost of living. Most of us remember what happened during the depression when jobs were scarce and prices were low. And on the other hand, I'm sure we won't be blinded by the evils of depression and fail to see that inflation can be just as disastrous.

Inflation will thoroughly disrupt the economy of any country. If we believe what history teaches us, and if we can rely on past experience, we know that money and prices get out of hand in times of war or major rearmament. Increased military production, scarcity of materials, and stepped up spending all tend to throw the economy out of balance. They all lead to inflation unless the government takes appropriate measures to hold the price line.

We can prevent inflation by effective legislation, and with the full cooperation of every responsible citizen. And the free press—the business press—is surely one of the most important instrumentalities in insuring the cooperation of our people. I am sure all of us will agree that the financial and political future of our country is worth fighting for. We not only owe it to ourselves to lick inflation, but we have a joint responsibility with our friends and allies throughout the world. For it is most certainly true that a sound American dollar is the financial backbone of a free world.

An informed public will rise up against inflationary pressures. Excessive pressures can force us out of our way of life. By encouraging businessmen to work with government in holding the price line, by showing that American business has a real stake in the financial security of our nation, the business press is making a worthy contribution to the future of America.

The war against inflation must be fought on many fronts. We are all in this fight together. The consumer, the farmer, the laborer, the manufacturer, and the businessman all have a role in making stabilization work. Without the effective cooperation of any one of these segments of our economy, no system of controls is effective.

Some of the measures which must be taken to bring about stabilization create temporary hardships and some sacrifices. But these are steps we must take if we hope to preserve our freedom —our American way of life.

A Strong Stabilization Program

A strong stabilization program calls for higher taxes, restrictions on spending, wages and prices, and other restraints. Inevitably some hardships are caused by such measures.

There are some who object to paying more taxes to provide the tanks, the planes, the ships, the guns, and the men needed to strengthen the defenses of our country. But let these objectors answer this question: "Is any sacrifice too great to preserve the freedom of our great country?"

Wage and salary controls cause some handicaps, some temporary displacements. Nevertheless, by working harmoniously and productively under the wage and salary stabilization program, labor is making its contribution to the cause of freedom.

We have received some complaints from manufacturers, merchants and businessmen who say that price controls are causing some disruptions, that controls call for more record keeping, and other discomforts. There may be some merit to these complaints because ours is a complicated economy—one not easily regulated by a few simple rules.

It would be fairly simple to stabilize prices if only a few products and services were involved and only a few manufacturers, retailers and service establishments conducted the bulk of the nation's commerce. But, as you know the American economy is composed of more than a third of a million manufacturers and nearly three million firms in the distributive trades and service establishments.

Price Stabilization Office Doing Its Best

However, complicated as price control may be, the Office of Price Stabilization is doing its best to stabilize prices. The success of our efforts largely will depend upon the cooperation we receive from those who purchase the goods and services, those who sell them, those who make and furnish them and from the entire business community of our country.

It is definitely to the advantage of every businessman to support the price control program. For inflation will mean higher costs to him—and will destroy cost control for every business. If prices are not stabilized a firm may receive more for the commodities it sells, but its profits may be drastically reduced by rising costs of the materials and articles the firm buys for resale.

Indeed, I think it could be said that, for business, ours is also an "office of cost stabilization." And it is just as important to hold the "cost price line" as it is to hold the "selling price line."

Price control is not something apart from the normal functions of business. It is not something one businessman can ignore with the hope that all of his competitors will keep their prices down while his are permitted to rise. Neither is the converse true—the case of the honest businessman who complies with the law but sits idly by and does nothing when a dishonest competitor violates the law. Of course, both examples are wrong. We are all in this stabilization program together. What one firm does wrongfully affects every other firm in that industry and ultimately the whole economy. We must all learn the rules—and we must all play the rules, if we want a sound economy.

Reputable business firms cannot afford damage to their names and good will by engaging in unlawful price practices. The honest businessman will abide by the law and not sell at more than ceiling prices. The honest, law abiding businessman has every right to immediately report any unscrupulous competitors who may be trying to take business from him by selling at prices higher than ceilings or by other illegal means. In fact, it is his duty to help *force* the violator in line.

The consumer—by understanding how ceilings are determined, by watching for evasions, and by refusing to patronize merchants who do not live within the law—can do much toward stabilizing prices. When I speak of "consumer" I do not restrict the term to its every-day use; I include the manufacturer who must buy materials and machinery in order to make his products and the merchant who buys the manufactured article for resale. We are all consumers of some kind and whatever any of us buys has its impact on our economic life.

Our country is still confronted with many grave problems—both national and international. No one knows what the next few years will bring. Whether we like it or not, we are living in a world community and happenings in virtually every area of the globe have their effect on the American economy. Because of the unsettled world climate, we are forced to build our defenses and at the same time fight inflationary pressures. We are faced with the dilemma of having to create a situation that on one hand makes for inflation, and yet at the same time take steps to stop it.

"Have Done a Pretty Good Job"

So far, we have done a pretty good job of effecting a balance of power in this precarious situation. In other words, inflation has been checked but it has by no means been licked. However, so long as Communist aggression continues, much of our national resources must go into armaments, the Federal budget necessarily will remain high, and the balance between purchasing power and civilian supplies will continue to create many dangerous economic problems. Some $65 billion will be spent on defense by sometime in 1953. This will be followed by several more years of high defense expenditures. With these conditions existing, the possibility of inflationary pressures cannot lightly be overlooked.

Of course you will find many businessmen today who will tell you that the need for price control is over. They have much to say about soft markets, declining prices and other trends which they say indicate that price stabilization is no longer needed.

In some limited fields, one or more of these factors do exist, and the government stabilization efforts have taken cognizance of them. We have suspended some products from price control and intend to suspend others soon. But, the real truth is that there has been *no* significant change in the underlying causes which sent the cost of living soaring after Korea.

I am just as firmly convinced now that America's economic health is as seriously threatened today, and that the very safety of the nation is endangered, as I was when I took the job of Price Director in February.

And may I add, this is not just a "scare" warning. I can support this statement by cold hard facts.

But before I attempt to analyze some of the inflationary factors facing us, let me ask a few questions about price controls. Do you find the things you buy today any cheaper than they were six months ago or a year ago? *I don't.* Prices for everything I have bought recently are either higher or as high as they were before.

Have you checked with your wives or gone shopping with them and seen the prices they have to pay for food and other things? *I have.* And I want to tell you my wife is paying more for most of the things she buys than she ever did before. Where are those soft markets and those bargains these businessmen talk about? I don't seem to be able to find them when I make a purchase.

Things Are Not Getting Cheaper

I am further convinced from the many letters, telephone calls, telegrams, and personal visits I have from businessmen that things are not getting cheaper. Do you know what they all want without exception? They want either one of two things. First, they ask me to decontrol whatever product they are making or selling, so that they can sell it for any price the market will bear. If they don't ask for decontrol, they ask for an increase in ceiling prices. Either way you look at it, if we grant the request, it means higher prices and greater inflation. And somebody has to pay the price.

Here's an example of what I've just been talking about. A few weeks ago, OPS had to authorize ceiling price increases for a number of grocery items because the wholesale and retail grocers came to us and showed us that their profits had been reduced and therefore that they were entitled by law to increased ceilings. Under our Industry Earnings Standard, I had no alternative but to grant the increase. This standard, as you know, is based on the requirement of the Defense Production Act that our price ceilings shall be "fair and equitable."

We authorized the increased grocer ceilings and immediately following the announcement in the press that grocers could increase a number of canned foods from 1 to 2 cents per can, my office was deluged with telephone calls and letters from the trade associations representing food processors, wholesalers and retailers. All of them said that the publicity they received from our announcement was bad for the grocery business and that the grocers did not intend to put the new ceilings into effect.

Well, I was very happy about this because we are doing everything we can to keep food costs down. I felt, perhaps, that in a negative sort of way, we had made a little progress checking the rising cost of food. This illusion was dispelled one week later.

I was turning the pages of the Washington "Evening Star" and there played across two full pages

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*An address by Mr. Arnall before the National Conference of Business Paper Editors, Washington, D. C., June 18, 1952.

Accelerate Selective Decontrol of Prices Now!

By FRED LAZARUS, JR.*
President, Federated Department Stores, Inc.
Chairman, Committee for Economic Development's Sub-Committee on Price and Wage Controls

Prominent merchant urges speed-up of selective decontrol of prices, since economy's ability to dispose of large production depends on resiliency of price structure and power of thousands of people to make their own decisions. Foresees retail inventories in balance by July or August, resulting in stepped-up buying by and from retailers. Maintains returning buyer's market is no just cause for worry.

Before we talk about marketing, let us get a general look at what we need to sell. The productive capacity of our country has grown, and is growing, by leaps and bounds. The policy of the defense program has demanded it. General Marshall, Secretary Lovett, and the Chiefs of Staff all agreed that the important defense goal was to be sure that we overcame the long waiting period of World War II. Then the war goods really didn't begin to roll until two years after we were serious. We have been, and are now, building enormous standby facilities to give us additional production lines for the making of planes, tanks, guns, trucks, ammunition and so forth. I understand that these production facilities have been largely completed. This decision was advisable because in a world of atomic energy, jet propulsion and electronics, there is a tremendous obsolescence in weapons, so it was important that we have the wherewithall quickly to supply the newest and best models. Add this capacity to the new civilian goods capacity developed during the period since 1945, and you come to the gigantic total of $66 billion. In addition, there has been $25 billion spent on remodeling plants and equipment and in modernizing mining, railroads and other transportation, and in the substantial extension of all types of public utilities. This figure of almost 75% increase, plus what we had to start with in 1945 after the great World War II effort, gives us production facilities of almost unbelievable proportions.

Fred Lazarus, Jr

We say a billion dollars so glibly. I heard a fine illustration the other day. It is as follows: That if one would have endowed 50 families with $10,000 each at the time that Jesus was born, and paid to each of them $10,000 per year from that time until now, one would have in 1952 an undistributed remainder of $24 million.

Few of us can realize that we have more than doubled our ability to produce since 1940. To everyone the realization of this fact is most important. To this group it has unusual significance.

So much for the long run picture. Today even though the present volume of business is very large, we have accumulated heavy inventories for manufacturing goods, and in spite of well directed liquidation of retail stocks which are still about 10% too heavy, we have the problem not only to sell the new production, but also to bring these heavy inventories into balance. Much of this has to do with defense, but there is a substantial inventory in civilian lines.

A Future With Few Inflationary Pressures

The foregoing statement, developed from our government statistics, presents us with an economic future that would indicate an excellent situation in spite of a few road blocks now. We have what can amount to practically unlimited production insofar as facilities are concerned and an opportunity for everyone to work if we can sell the products of this gigantic economic machine. We have a future that, barring all-out war, should mean few if any inflationary pressures. Scarcities ought to be rare. Production not required for defense or civilian use could be put in mothballs; that is its purpose. The standard of living should rise. We should have a price level almost devoid of speculative content, made up of the legitimate costs of wages, the raw materials of the producer and reasonable profits developed on a competitive basis.

No Room for Wage-Price Controls

In such an economy, is there any room for wage and price controls? I think not.

Recently I headed a subcommittee of the Committee for Economic Development that has made two reports on price and wage controls. The first one criticized the present methods that are employed and suggested many needed corrections. The second one dealt with the elimination of price and wage controls. This second study, made in the careful way that all CED reports are developed, in summary states the following:

The need for price and wage controls is rapidly passing, if it has not already passed. Price and wage controls are inappropriate instruments for the control of inflation except in times of great emergency. No emergency now exists which requires their use.

In the past 15 months there has been little evidence of general inflationary pressure. Many prices have fallen below their ceilings and many more would not rise if their ceilings were removed.

Price and wage controls place too much power in the hands of government. They tend to distort production and limit the ability of the economy to respond to changing needs. They involve substantial waste and inefficiencies in production and distribution and, as now employed, are unfair to large sections of the economy.

Any renewal of inflation during the present rearmament period should be met by action with respect to taxes, government expenditures and monetary and credit policy. Such measures can effectively control inflation except in extreme emergencies and do not involve the heavy economic costs of price and wage controls.

Adopt Selective Decontrol!

Therefore, the price and wage control provisions of the Defense Production Act should be extended only to Dec. 31, 1952, and a vigorous policy of selective decontrol should be adopted at once. The six months remaining before price and wage control authority expire will permit an orderly return to free markets.

Continuation of price and wage control authority after this year will be unnecessary and undesirable unless a new and serious international crisis should occur. Recognizing, however, that a new international crisis might lead to a sudden upsurge of prices and wages, the amended act should include a provision that after Dec. 31, 1952, the President may be authorized by Joint Resolution of Congress to impose a 90-day freeze of prices and wages.

During the freeze period the question of any further continuation of controls and the form they should take could be considered by Congress. The National Security Resources Board, which has the responsibility for developing plans for emergency controls, should have a practicable and equitable system of price-wage controls ready for Congressional consideration in such an emergency.

Prices are settled in millions of different instances every day

Continued on page 16

*An address by Mr. Lazarus before Summer Conference of the American Marketing Association, Cincinnati, Ohio, June 18, 1952.

Role of State and Local Units in Curbing Inflation

By RALPH A. YOUNG*

Director, Division of Research and Statistics
Board of Governors, Federal Reserve System

After reviewing inflationary trends in postwar years, Federal Reserve analyst points out impact of state and local government financing in creating inflationary pressures. Says we are faced with problem of how to temper all areas of government spending, so as to reduce debt and construction outlays, when the private economy is expanding. Warns inflation danger still persists in view of large stock of liquid assets and big potential for increasing credit and money supply.

Our generation has experienced one of the great inflations of history. War, postwar readjustment and catching up, and subsequent large-scale rearmament have had much to do with this inflation. Other generations enduring war and reconstruction from its ravages have also suffered severe inflation. This does not excuse continuation of our inflation dangers for we should have learned something from society's previous experiences about methods of curbing inflationary pressures. Perhaps we have, but it is too early to say that our efforts have brought inflationary trends to a definite halt. What we can say is that we have now had a year of stability —true, inflated stability, but a year without further pronounced inflation.

Ralph A. Young

Inflation is everyone's problem. It affects everyone — very few favorably, most adversely. It happens because of a complex of governmental and private actions for which everyone has a degree of responsibility. We cannot control it unless there is such understanding of its cause that both public and private policies attack these causes at their source.

Institutional responsibilities for inflation and for the control of inflation differ considerably as between the governmental and private spheres of activity. Considering the role which government plays in the economy today, it is self-evident that its responsibility—particularly the responsibility of the Federal Government but also the responsibility of local and state government—is very great. Your program committee has recognized the responsibility felt by officials of local government by placing the subject on your conference agenda. It is altogether fitting that you are taking this time out of a very busy week to study and discuss the impact of inflation on the services which your governmental units render.

The problem of defining inflation is quite simple. Inflation is an economic condition in which the total demand for goods exceeds the total supply available at prevailing prices. From there on the subject grows complex. Why the excess of demand and why the inadequacy of supply?

Postwar Inflationary Developments

War inevitably generates inflationary pressures. Military requirements during conflict must take precedence; they necessarily impinge on supplies available to the civilian economy. At the same time, the nation's money income, i.e., its effective demand, expands. Government endeavors to tax away as much income as possible to pay for war supplies. But there is a limit to taxation; so government borrows the balance and in the process helps to swell the nation's financial resources, particularly its holdings of quick assets—money and government securities. These assets at war's end become the basis of financing the postwar catch-up in production for civilian consumption. They also partly serve as the basis of further postwar credit and monetary expansion. The bigger the war that is fought, the bigger the inflationary impact that may be expected. We fought a big war, and we have had a commensurate inflationary effect as an aftermath.

Immediate postwar adustment, as Federal military expenditures declined, was remarkably short. Our civilian backlogs cushioned inevitable adjustment, and the forces of catching up, readapting and expanding our civilian capacity, and resurgence of population growth shortly gave us a postwar condition of excess demand. Even though production and capacity to produce expanded substantially, excess demand persisted, fed both by war created financial resources and by current credit and monetary expansion. Prices at wholesale and retail rose sharply.

After three years, inflationary pressures abated, and prices readjusted moderately downward. For a while, it appeared that a manageable balance was to be regained between over-all demand and our capacity to supply demand at current price levels, even though these levels were substantially higher than prewar. After a relatively brief testing of this balance, Korean hostilities upset it. A great wave of speculative buying set in, spurred by the undertaking of a vast rearmament program. The large carry-over of liquid resources continued to be a factor in financing demand, but in addition another large expansion of credit and money occurred. Reaction in markets to demand pressures was a further decline in the purchasing power of the dollar; indeed a very sharp decline for so short an interval of time.

This acutely inflationary situation called forth a number of national actions to bring inflationary pressures under restraint. In part, these actions attacked the problem indirectly through financial processes and in part directly through administrative controls. Direct administrative action included priorities and allocation of scarce materials to defense producers and general ceilings on prices and wages.

The indirect attack on inflationary pressures was primary because it struck at root causes. It consisted of higher personal and corporate income taxes, regulation of consumer and real estate credit, increased reserve requirements, removal of price supports for government securities, restoration of flexible Federal Reserve open market and discount operations, and institution of a national program of voluntary credit restraint. These steps served to reduce and limit the use of disposable incomes of consumers and businesses, to decrease liquidity of banks and other financial institutions, to minimize dangers of further monetization of the public debt, and to limit the use of credit to more essential purposes. For the first time in postwar years, fiscal policy and monetary policy were effectively joined in a common anti-inflation program.

By spring of last year, this complex of restraints, affecting in one way or another almost every group in the economy, commenced to take hold. Consumer demand abated, particularly for durable goods and houses; business demand was tempered by excess accumulation of inventory; and credit and monetary expansion was reduced. In these circumstances, increases in national security expenditures and in business investment to expand capacity could take place without further price increases. Thus, we were able to experience a year of stability at very high levels of output and employment, free of general inflationary pressures. What we had really was a condition of continuing inflationary pressures in selected markets offset by abating pressures or downward readjustment in others.

Postwar Construction Expenditures of Local and State Governments and their Financing

Our topic of discussion warrants special review of postwar expenditures for the construction of municipal and state government facilities as related to the inflationary trends of this period. At the point of demobilization, local and state governments faced a large backlog of deferred construction requirements for schools, highways, and other public facilities. Part of the backlog even carried forward from the depressed '30s when enlargement of governmental facilities had fallen short of current needs. But the backlog had most of its urgency in consequence of population relocation, population growth, and general economic expansion over war years.

Local and state governments were in an exceptionally strong position to meet postwar financing requirements. Over the war period, many governmental units had greatly improved their liquidity and borrowing capacity. Tax revenues were substantially above prewar because of higher national, personal, and business income and expenditures and also higher property valuation. In these conditions, curtailed construction expenditures and some lag in the inflation of current operating expenditures made for budget surpluses. About half of the states had accumulated postwar reserve funds, amounting in all to a billion and a quarter dollars. Both local and state governments had a debt position considerably lower—together in fact, some $3 billion lower—than prewar.

With this background of need and financial strength, local and state governments began as rapidly as possible to expand public facilities. Within five years, a four-fold increase in annual construction expenditures occurred. In this half-decade, local and state governments invested more than $18 billion in new construction. Roughly one-half was spent on highways, one-fifth for sewerage and water systems and other community facilities, and one-sixth for schools. The balance represented investment in public housing, hospitals, and other institutions, public administration buildings, and social and recreational facilities.

Ability to finance this investment out of accumulated resources and current revenues was soon exhausted. As a consequence, reliance on borrowed funds increased rapidly. The market for municipal and state obligations was especially receptive, partly because of the easy availability of bank credit that obtained, and partly because of the attractive tax-exemption feature of these securities under postwar levels of Federal income taxes. Within five years, total debt of local and state governments rose nearly $8 billion. Some $5 billion of this amount was absorbed by the commercial banking system. This monetization of local and state government securities contributed to the maintenance over postwar years of a redundant money supply and was one factor, indeed a significant factor, in postwar inflationary trends.

Post-Korean Impact

Post-Korean inflation had a severe impact on local and state governments. Your costs of materials and supplies purchased for current use rose appreciably while advancing wage rates in industry and higher costs of living generally put your salary and wage structure under great pressure. In addition, construction costs, which had been rising steadily over postwar years, accelerated their advance.

In itself, this increase in operating and construction costs obliged many governmental units to reconsider and to cut back on new construction programs. National policy, however, also played a part in this development. Materials allocations and building restrictions exercised a considerable influence, as did also voluntary credit restraint.

Voluntary credit restraint had the objective of fostering an adequate flow of credit to defense purposes while curbing the flow of credit to less essential or speculative purposes. In the case of local and state governments, the program urged, where feasible, postponement of financing to replace existing facilities, to construct recreational facilities and war memorials, to acquire sites or rights of way not immediately needed, to purchase privately owned facilities, and to meet veterans' bonus payments. Considering that compliance with the objectives of the program was entirely voluntary, its accomplishments were impressive. Proposed market financing was submitted for advice or review by a very large number of officials of local and state governments. Counting only the financing submitted for review, a total of 59 proposed local and state government security issues, totaling $275 million in par value, were temporarily deferred from public offering during the critical period in which the voluntary credit restraint program was operative.

The result of post-Korean forces was a significant shift in local and state government construction toward more essential facilities.

Continued on page 35

*An address by Mr. Young before the Municipal Finance Officers' Association, Boston, Mass., June 18, 1952.

Progress in Asia

By EUGENE R. BLACK*
President of the International Bank for Reconstruction and Development

World Bank executive, reporting on recent trip to South Asia, decrys fears of Communism in that section, and says population is not interested in political ideas as much as they are in economic betterment. Though picturing dismal conditions in Pakistan, India and Ceylon, contends prospects for progress in these countries are good. Says in important field of fiscal policy governments of these new nations have performed well, and development programs are going ahead. Reveals working and effects of World Bank loans for development projects in South Asia.

I've been asked to give you a report on the trip I came back from this spring, to South Asia. I'm glad to be speaking to this important audience about this subject, because I think it is of the utmost concern to all of us. About a fifth of the entire human race lives in this part of the world, and hot wars inspired or abetted by aggressive Communism are going on there in Malaya and Indo-China. What happens in South Asia in the next few years is likely to have a direct impact on our own future — just as happenings in China more than a decade ago helped set that country on a course that now clearly involves our own security.

Eugene R. Black

Most of the peoples of South Asia, as you know, have nearly emerged from colonial status. They are free now to move in directions that will be distinctly their own. The kinds of economic and social structures they will work out obviously cannot and will not be carbon copies of systems that exist in the west. But I think that they and we can agree on certain things that are fundamental: on the value of individual freedom, on the importance of the democratic process, on the honor due to treaties and contracts of all kinds, and on the great advantages to be gained from the peaceful and orderly conduct of international affairs.

In South Asia, we are far from being confronted by the kind of melancholy prospect that now faces us in China. The countries of South Asia can be vigorous partners with the west. We and they can engage in the mutually profitable exchange of goods and of ideas. They can do themselves and us the inestimable service of maintaining their liberty against foreign domination.

Let me warn you, though, that the kind of discussion we sometimes have about Communism and the threat of Communism, seems to have little meaning for most Asiatics. Other things loom far larger in their lives. They are not interested in grand strategy and high policy. What they want is more food, decent shelter, better work, a chance for themselves or their children to learn to read and write. They want to live in dignity and self-respect. They want to satisfy simple human aspirations; their relations with us, and the role they play in world affairs, will be greatly influenced by whether these aspirations can be realized. My own conviction is that they can be.

*An address by Mr. Black before the 56th Annual Convention of the New York State Bankers Association, Spring Lake, New Jersey, June 21, 1952.

Pakistan, India and Ceylon

I do not have enough time to report to you on all the countries I visited during my trip. I do want to talk to you, though, about Pakistan, India and Ceylon. With their 440 million people, these three countries contain most of the population of South Asia. They have certain similarities which make it possible to discuss them together, and they are the countries that usually come to mind when we think about this part of the world.

We are all more or less familiar with the obstacles to progress that exist in South Asia. We know the countries there lack the basic muscles of a developed economy; they are short of things like power and transportation. Human talents are in short supply, too: there is a dearth of administrators, technicians, foremen, and supervisors, and a scarcity of farmers and workers able to read and follow simple instructions. There is, however, no shortage of human beings; the heavy weight of population on relatively meager supplies of food and goods is the most pressing problem in the area. We know about the poverty there—that methods of production are primitive, that production is low, and that the average individual has an income of less than $100 a year.

Yet, let me report to you that in all these countries, I think the prospects for progress are good. There is an enormous determination, among the private and public leaders in these countries, to raise productivity and living standards. There is a high degree of political stability, which should help this determination to carry through. There is in the area a tradition of sound fiscal policy which should aid the process. And while the ratio of natural resources to size of population is not so high as in many other parts of the world, there nevertheless are enough of these resources that exploiting them efficiently can make a tangible impression on living standards. Let me expand briefly on some of these points.

You cannot describe with statistics the drive for economic development which exists among the leaders of these countries, but it is a real force that makes a deep impression on any visitor. Five years ago, the great theme of the leaders in this part of the world was independence. Now that independence has been won, the great theme is economic progress. It is expressed officially in development programs now being pursued in these countries. It is the great continuing story of the day in press and radio throughout the area; news and discussion of it consume proportionately as much newsprint and radio time as our own elections are beginning to in the United States.

There is great public confidence in the leadership of these countries, and every indication that this leadership will continue to have strong public support. The influence of the Moslem League and the present Pakistan Government is firmly established. Mr. Nehru's party, in the recent Indian elections, was returned to power for five years, and with a parliamentary margin greater than that enjoyed, for instance, by any majority party in either the United States or Great Britain in recent decades. In Ceylon, the present government, still more recently, has been returned to office by an electoral victory even more impressive than Mr. Nehru's in India. In part, the strength of these governments is simply due to popular affection for the leaders who helped make their countries free; but it is also the result of wide agreement on the objectives they are pursuing.

Speaking frankly and personally, I would have to be critical of some aspects of government policy in some of these countries—as in fact I was when I talked with officials in the area early this year. When private capital is scarce, it is natural enough for governments to attempt, by State enterprises, to produce needed goods; but I thought this tendency had gone too far. It seemed to me also that in some instances such governmental instruments as price controls and subsidies were doing more harm than good.

Fiscal Policy Good

But in the important field of fiscal policy, these governments have performed well. In fiscal matters, Pakistan, India and Ceylon were raised in the conservative British school, and the record shows it. By and large, they have kept their ordinary budgets in balance, and they have financed capital expenditures on development without noticeable inflationary effects. The cost of living has been kept stable; there is complete confidence in the currency; and government credit is rock solid. The central bankers are able and well-trained men; and the Finance Ministers of these countries—Mr. Mohammad Ali in Pakistan, Sir Chintaman Deshmukh in India, and Mr. J. R. Jayawardene in Ceylon—are men whose skill and judgment would be recognized anywhere as outstanding.

In all these countries, development programs are going ahead, and resources are being exploited that up to now have been neglected. I think the best way for me to tell you about this is to take a look at each country individually, and to give you a thumbnail sketch of what is going on there.

Of the three countries, Pakistan is very probably the least developed. She is fortunate in that she has enough food; but she must nevertheless put a great deal of stress on agricultural development, to keep pace with the demands of her growing population, and to increase the exports needed to pay for imports of manufactured goods.

In Pakistan's development programs the major objectives of investment are agriculture, industry, electric power and transportation. In the field of agriculture, she is especially bent on land development. Her intent is to improve or extend irrigation on land totaling some 5 million acres, an area roughly equal to the size of New Jersey.

The World Bank is helping to finance one of the important projects in this field. This is the Thal project. It is being carried out on a great wedge of land which lies between the Indus and the Jhelum Rivers in West Pakistan. The soil here is dry, sandy and overgrown with light scrub. But clearing and irrigation can make the land productive, and work is already under way to make it productive. From the Indus River, the Pakistani have constructed a canal system to lead water onto this soil. The Bank has lent them $3¼ million for tractors to help dig irrigation ditches and prepare the land for cash and food crops. The Pakistani already have opened up some 140,000 acres of land in this way; and the Bank's loan will help them clear, irrigate and cultivate 660,000 more. For this later portion of the project, some kind of calculation can be made of the new production and new wealth this will bring into existence: about $24,000,000 a year in terms of crops, and another $21 million in terms of the new trade and other economic activity which this production should help generate.

Pakistan needs better transportation facilities, to promote internal trade and production, and to stimulate exports. She is building roads, and since the war, has completed what is virtually a new port at Chittagong, in East Pakistan, from which her jute moves to world markets. She still has a pressing need for better rail transport, and the World Bank last March lent her some $27 million, including $12 million worth of French francs, to import a substantial number of Diesel locomotives and other equipment. Much of this equipment has already arrived and is being put into serv-

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Pessimism Regarding Sterling Stability

By PAUL EINZIG

Dr. Einzig comments on views regarding stability of sterling exchange, and the depressive effects of recent sterling depreciation in world markets. Foresees heavy withdrawals of of colonial sterling balances as adverse factors but contends, however, there is no reason for early sterling devaluation.

LONDON, Eng.—On June 12 Mr. Butler, British Chancellor of the Exchequer, made a statement which aimed at disposing of alarmist rumors about the position and prospects of sterling that were in circulation during recent weeks. These rumors arose as a result of the realization that the improvement in the position that was evident in April and during the first half of May was not maintained. The decline of sterling to a slight discount and the evidence of growing export difficulties gave rise to a renewed feeling of pessimism. This feeling became reinforced at the beginning of June through the misinterpretation of a remark made by Mr. Boyd-Carpenter, Financial Secretary to the Treasury, who said that the gold reserve would only be able to pay for two months' imports. Many people interpreted this as meaning that the gold reserve was likely to be used up in two months, forgetting that the greater part of the imports is paid with the aid of exports and that it is only the deficit of the balance of payments that has to be paid out of the gold reserve. There was also a renewed campaign in favor of allowing sterling to find its own level, while at the same time making it convertible at fluctuating rates. Publicity given to this half-baked proposal did not help matters. Public pessimism was further increased by the disclosure of Britain's liabilities and losses under the European Payments Union arrangement, and by the premature anticipation of additional burdens arising through the financial arrangements connected with German rearmament.

Dr. Paul Einzig

In the circumstances the Chancellor of the Exchequer felt it necessary to reassure public opinion, by disclosing the fact that, in spite of the adverse factors in operation, the actual losses of gold since the publication of the quarterly figure for March 31 amounted to less than £10 million. It is true that during the period under review Britain received $100 million from the United States. Even allowing for this abnormal receipt the outflow of gold has declined very considerably in comparison with the figures for the previous three quarters. Most people imagined that the outflow during the present quarter would be well over £100 million. Although there are bound to be some further losses during the remaining part of June, the final figure for the second quarter of 1952 is not likely to be anywhere near that figure.

During the course of the debate that followed the statement it was alleged in some quarters that the relative improvement of the gold position had been achieved at the cost of using up stocks of imported commodities. A statement issued subsequently from official quarters made it plain, however, that during the past six months the stock position has remained virtually unchanged.

Notwithstanding these reassuring facts the reactions of the markets to Mr. Butler's statement were far from favorable. Sterling depreciated further, and reached the level at which it had to be supported by the Treasury. Its weakness, and the renewed wave of pessimism that accompanied it, was attributed to a speech by Mr. Churchill, emphasizing the gravity of the situation. Mr. Butler, too, laid stress to the fact that, in order to safeguard the gold reserve, it would not be sufficient to achieve equilibrium in the balance of payments. It would be necessary to achieve a surplus in order to meet capital commitments. What he had in mind was the large sterling balances held mainly by Commonwealth countries. Under funding agreements large amounts have to be released to India, Pakistan, Ceylon and other countries. What is worse, the sterling balances held by the Colonies are not funded and are liable to be drawn upon extensively. The government is in fact gravely concerned about the position in regard to these Colonial sterling balances. Their total is believed to be around £1,000 million, most of which was accumulated during 1951 as a result of the high prices of the staple exports of the Colonies. Now that the raw material prices are much lower the Colonies are likely to draw upon these balances. This would mean more unrequited exports, to the detriment of the export drive to hard currency areas.

Mr. Churchill's object in striking a pessimistic tone is to impress the nation with the need for working harder and making sacrifices. The effect of his remarks abroad was, however, to inspire fears about the immediate prospects of sterling. In reality there is no reason whatever for anticipating a devaluation or a depreciation of sterling below the rate of $2.78 that prevails at the time of writing. It is, of course, impossible to make forecasts about the more distant future, but on the basis of the known facts of the situation, sterling may be considered safe during 1952—which is what matters from the point of view of those concerned with foreign exchanges. The government is not prepared to listen to those who try to persuade it to allow sterling to fluctuate freely. If and when, in the uncertain distant future, a situation should arise in which the government would find it impossible, for lack of gold, to continue to defend sterling at its present level, it would resort to another devaluation rather than plunge the world into currency chaos by returning to the fluctuating sterling.

There is no reason to believe, however, that events will force the government to devalue once more, at any rate during the next six months or so. At the present rate of gold outflow sterling could be defended at its present level for years. Its more distant prospects depend largely on the extent to which it will be possible to resist wages claims. If these claims are satisfied the ensuing rise in prices might effectively handicap British exports, and at the same time the additional purchasing power put into circulation would increase domestic consumption to the detriment of the trade balance. These effects would not come about immediately, however, and for the moment there is nothing to worry about.

More Bank Capital Needed!

William T. Taylor, Retiring President of New York State Bankers Association, says problem is serious in view of low net earnings of banks. Cites data showing, with only few exceptions, shares of New York banks selling much below book value.

At a press conference held in the Hotel Monmouth, Spring Lake, N. J. on June 20, on the eve of the 56th Annual Convention of the New York State Bankers Association, William T. Taylor, retiring President of the Association, and Vice-President of the Bankers Trust Co., New York City, called attention to the desirability of increasing the ratio of bank capital to risk assets, but pointed out the difficulty of accomplishing this in view of the heavy discount at which bank stocks are now selling below book values.

William T. Taylor

"In New York State and throughout the country," Mr. Taylor remarked, "the adequacy of capital funds is one of the burning topics of the day among those responsible for bank management and the supervisory authorities. The report on risk asset ratios of our Association's Committee is an outstanding contribution to the subject. It suggests that we need to be more precise in our appraisal of the problem and to give more attention to the quality of the assets."

Continuing this topic, Mr. Taylor stated:

"Nevertheless it is clear that banks, because of their low rate of earnings after present income taxes, cannot compete successfully for the investors' dollars in the capital market. In recent years, when all commercial banks earned 7.5% to 8.5% on invested capital, manufacturing corporations averaged rates of return between 11.5% and 15%. As a consequence, our Committee on Risk Asset Ratio Study found that out of 550 New York State banking institutions only 14 had their stocks selling at or above book value at the end of 1950. The average discount from book value was 42%.

"Faced with relatively low earnings and the consequent lack of a satisfactory market for bank shares, what can and should bankers do to increase capital funds to keep pace with expanding liabilities? Developing new services, charging adequately for money lent and work done, and employing modern methods of controlling costs will all contribute to an improvement in operating earnings. Under the present tax structure, however, there are only a few instances where it will be possible to earn and pay dividends which will bring the market value of the capital stock up to a premium over book value. Selling stock at a substantial discount only accentuates the problem of securing adequate per share results.

"Consideration must be given, therefore, to whether preferred stock or other senior securities may not be appropriate in specific instances. Any of us would naturally prefer to see common shares sold for additional capital, but as a second choice it seems to me that a fair case can be made for preferred stock or subordinated debentures if they are found to be the only feasible method of providing the desired strengthening of the protection for depositors."

Kuhn, Loeb Offers Gulf Power Bonds

Kuhn, Loeb & Co. is offering today (Thursday) $7,000,000 Gulf Power Co. first mortgage bonds, 3⅜% series due 1982 at 100.47%, to yield 3.35%. The bonds are dated July 1, 1952, and mature July 1, 1982. The firm, bidding alone, won award of the issue at competitive sale Tuesday on a bid of 100.10%.

Regular redemption of the new bonds will be made at prices declining from 103.47% to par. For special redemption purposes the bonds will be redeemable at prices ranging from 100.48% to par.

Gulf Power Co. will use the proceeds of the offering, together with $4,000,000 received from the sale of common stock to its parent, The Southern Co., to provide a portion of the funds required for the construction and acquisition of permanent improvements, extensions and additions to its utility plant; to reimburse its treasury in part for expenditures made for such purposes; and to provide for the payment of bank loans of $4,000,000 incurred for such purposes.

The company is an operating subsidiary of the Southern Co. and is engaged within the northwestern portion of the state of Florida, in the sale of electricity in 65 communities, as well as in rural areas; the sale at wholesale of electric energy to a non-affiliated utility and 4 rural cooperative associations; and, incident to its electric business, the sale of appliances. The territory served directly and indirectly by the company has an estimated area of approximately 7,500 square miles and an estimated population in excess of 280,000.

Edgar Kennedy Opens

Edgar Kennedy is engaging in a securities business from offices at 117 West 58th Street, New York City.

E. J. Monroe Company

PLATTSBURGH, N. Y.—E. J. Monroe Company Inc. of Plattsburgh is engaging in a securities business from offices at 25 Cornelia Street.

With J. R. Williston

William F. Adickes has joined the research staff of J. R. Williston & Co., 115 Broadway, New York City, members of the New York Stock Exchange, as portfolio analyst.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

John T. Madden, President of the **Emigrant Industrial Savings Bank of New York,** announced on


Robert A. Gay **Vincent E. Boyen**

June 23 that the Board of Trustees has appointed Robert A. Gay a Vice-President and Vincent E. Boyen an Assistant Comptroller of the bank. Mr. Gay became associated with the bank in 1939 and since 1949 has served as an Assistant Vice-President and Personnel Officer. Mr. Boyen entered the employ of the bank in 1946 as a member of the Accounting Department and in 1950 was appointed Systems Supervisor.

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Melville E. Ambler has been appointed an Assistant Trust Officer of **Chemical Bank & Trust Company of New York,** it was announced on June 19 by N. Baxter Jackson, Chairman. Mr. Ambler will assist in the development of personal trust new business. He formerly was an Assistant Secretary at the **Land Title & Trust Company of Philadelphia.**

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The Board of Directors of **The National City Bank of New York**

Roy H. Glover

on June 24 appointed Roy H. Glover a director. Mr. Glover is Director, Vice-President and General Counsel of the Anaconda Copper Mining Company.

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The Hanover Bank of New York announces the appointment of Daniel R. Howe as Assistant Secretary, and Henry A. M. Faber, C. Kenneth Schlenker, Robert A. Stewart and John L. Tittle as Assistant Treasurers. All are attached to the main office. Mr. Howe joined the bank in 1946 and is in the personnel department. Mr. Schlenker and Mr. Tittle, both in the personal trust division, became associated with The Hanover in 1926 and 1924, respectively. Mr. Faber and Mr. Stewart, both in the banking division, joined the bank in 1929 and 1920, respectively.

Ruth F. Irish has been elected an Assistant Secretary of **Union Dime Savings Bank of New York,** according to an announcement made by J. Wilbur Lewis, President of the bank. Miss Irish has been with the Union Dime since November, 1927. She has served in various capacities: as Secretary to the Service Director, Secretary and then Assistant to the President and Chairman of the Board, and since March, 1951, as Director of the Service Department. She is a graduate of Cornell University and has just been reelected to a five-year term as an alumni trustee—one of three women serving on Cornell's Board of Trustees. Miss Irish also is active in banking circles, having served as President of the Savings Bank Women of the Metropolitan Area in 1947-49, and at present is Chairman of the Publicity Committee for the Middle Atlantic Division of the Association of Bank Women.

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W. E. Henges, President of Graybar Electric Company, Inc., has been elected a trustee of **Union Dime Savings Bank, of New York,** according to an announcement made by J. Wilbur Lewis, President of the bank. Mr. Henges is a director and member of the Executive Committee of the Graybar Electric Company. He has been identified with Graybar since the beginning of his business career 39 years ago.

* * *

A merger of the **Bloomfield Bank & Trust Co. of Bloomfield, N. J.,** with the **National Newark & Essex Banking Company of Newark, N. J.,** was approved on June 20 by the stockholders of the two banks. The merger became effective on June 23 when the two offices of the Bloomfield Bank & Trust Co. became the Bloomfield Center and Watsessing offices of the National Newark & Essex Banking Co. The Newark "Evening News" in a recent issue noted that the merger plan was announced May 14 by Robert R. Cowan and Cecil R. Berry, respective Presidents of the Newark and Bloomfield institutions, following approval by directors of both banks. In a more recent joint statement to customers, Messrs. Cowan and Berry said, according to the "News":

"The present management and personnel of the two Bloomfield offices will be continued as in the past. Both institutions have for a number of years shared in the business and industrial loans, particularly where the amount was too large for the Bloomfield bank to handle in its entirety." The "News" added: "National Newark, founded in 1804, is the oldest bank in the State. The Bloomfield institution was founded in 1889. Lewis K. Dodd, an official of National Newark, was active in founding the Bloomfield National Bank, a predecessor of the Bloomfield Bank & Trust Co., and became its first Cashier. Thomas Oakes, first President of the Bloomfield National Bank, was for many years a director of National Newark."

* * *

Robert J. Kiesling, President of the **Camden Trust Company, of Camden, N. J.,** has announced that shareholders, at a special meeting on June 18, authorized an increase of 125,000 shares of the bank's common capital stock. Each holder of common stock of record June 3 will have a preemptive right to purchase at $20 per share one additional share for every three shares held. Warrants covering preemptive rights to subscribe to additional stock will expire at noon June 30, as was indicated in our issue of June 12, page 2465. Under the proposals, the common capital stock will be increased from $1,875,000 to $2,500,000. Proceeds from the sale of the common stock will be used to retire 250,000 shares of outstanding preferred stock at $10 per share. The bank's capital structure will then consist of 150,000 shares of preferred stock, par and retirable value $10 per share, and 500,000 shares of common stock with a par value of $5 per share. Mr. Kiesling also announced that payment of cash dividends on the common stock will be resumed on a quarterly basis and that the first cash dividend will be paid on Sept. 30 of this year.

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Robert Lee De Camp, Vice-President for five years of the **National Bank of Westfield,** at **Westfield, N. J.,** died on June 13. He had been with the bank for 27 years, and before becoming Vice-President had served as Cashier. At the time of his death he was President of the **First Federal Savings and Loan Association.** Mr. De Camp was 68 years of age.

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Raymond T. Parker, it was announced, has been elected a Vice-President of **Fidelity-Philadelphia Trust Co. of Philadelphia,** according to the Philadelphia "Inquirer," which states that he has been with the bank since Feb. 1, 1910, and is in charge of the deposits and savings sections of the banking department.

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The First National Bank in Wabash, Ind., increased its capital as of June 12, from $100,000 to $150,000 as a result of a stock dividend of $50,000.

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Harris Trust and Savings Bank of Chicago announces that G. Philip Whitman is now associated with the bank as its New England representative.

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An increase of $200,000 in the capital of the **Merchants & Planters National Bank of Sherman, Texas,** is announced, the amount having been enlarged from $400,000 to $600,000; $150,000 of the increase resulted from the sale of new stock, while the further addition of $50,000 was brought about by a stock dividend. The enlarged capital became effective June 12.

* * *

Earl K. Simpson, Auditor of the **California Bank of Los Angeles,** recently completed his 30th year of service with the bank. He attended the University of California, Berkeley, and started in the banking field 37 years ago with the old First National Bank of Lompoc, Cal. He joined the staff of California Bank in June, 1922, and was assigned to the auditing department five years later. In 1929 Mr. Simpson was elected Assistant Auditor and in 1944 to his present post as Auditor. Mr. Simpson is a past President of the Southern California Conference, National Association of Bank Auditors and Comptrollers, and was District Director in 1946-47 for the National Association. He is also a member of the Institute of Internal Auditors.

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Frank H. Schmidt, President of **California Trust Company, of Los Angeles,** announces the election of L. M. Eckert, L. A. Rentsch and Virgil D. Sisson to the posts of Vice-President; Wilfrid C. Dickie and C. L. Patterson to Trust Officer; W. H. Light and G. H. B. Kane to Assistant Trust Officer. Mr. Eckert, formerly Trust Officer, joined the company's staff in April, 1950; Vice-President Rentsch, of the company's Investment Department, recently marked his 29th year of service. He was elected Assistant Trust Officer in 1940 and Trust Officer in 1946; Mr. Sisson, with the company since 1927, was elected Assistant Secretary in 1946, Assistant Trust Officer a year later and Trust Officer in December, 1948. Formerly a banker in Flint and Detroit, Mich., Assistant Trust Officer Dickie joined California Trust in August, 1948. He conducted law practice in Detroit following association with the Genesee County Savings Bank in Flint as Executive Vice-President and Trust Officer. Mr. Light is assigned to the company's Court Trust Department. He started his banking career in 1929 with the National Bank of Huron, S. D., and was later with the First National Bank of Miami, Fla. He has been with California Trust Co. since 1929 and was elected Assistant Secretary in December, 1948. Mr. Kane was in the trust business in Pasadena prior to joining California Trust in September, 1951. A graduate of the law school at Syracuse University, he practiced law in New York City from 1929 to 1945 when he moved to California.

Warner-Hudnut, Inc. Notes Sold Privately

Elmer H. Bobst, President of Warner-Hudnut, Inc., announced on June 25 that a loan agreement had been entered into with two life insurance companies covering the sale of $6,000,000 of 4¼% notes maturing June 1, 1972. Of that amount, $4,000,000 has been taken down, an additional $1,000,000 is to be taken down by Dec. 1, 1952 and the remaining $1,000,000 is to be taken down by June 1, 1953. A sinking fund of $375,000 per annum is to commence on June 1, 1957. The loan was arranged by F. Eberstadt & Co. Inc.

The company is a leading manufacturer and distributor of ethical drugs, pharmaceutical proprietaries and cosmetics in the United States and 88 foreign countries. Part of the proceeds of the loan will be used to defray the cost of additions to the present facilities for the manufacture of ethical drugs and pharmaceuticals at Morris Plains, N. J., adjacent to the plant of the company's recently acquired subsidiary, Chilcott Laboratories, Inc., formerly The Maltine Co. The balance is to be used for retirement of existing loans and for additional working capital.

With Guardian Securities

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Lola L. Turner has joined the staff of Guardian Securities Corporation. Miss Turner was previously with Walston, Hoffman & Goodwin and Paul C. Rudolph & Company.

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Accelerate Selective Decontrol of Prices Now!

in an economy like ours, and the ability to quickly dispose of large production depends on the resiliency of the price structure and the power of thousands of people to make their own decisions. Not only the leaders of business, but all labor and all farmers must understand that under present control conditions we cannot work successfully. That must be apparent. No one can straitjacket the economy and at the same time bring to it the imagination necessary to do the larger job we have to do.

During 1951 and so far in 1952, the liquid savings of the people went to an all time high that had never before been realized in times when goods and services were plentiful. Economists have always figured that more disposable income meant more retail business, because people generally spent the money that they had—the old story of burning a hole in one's pocket. But that hasn't been true recently. It is a fine commentary on the good sense of the American people, and particularly the American housewives.

They furnish their own price control and they do not need thousands of government employees for so-called protection.

France, England and Italy have for years tried government controls. The answers have been low production, high costs, particularly in distribution, divided markets, cartels, poorly paid labor and inordinate power in government.

All of our leaders say that a strong American economy is our first line of defense. How have we gotten it? Certainly not with government direction, no matter how expert it may be. Of course there must be ground rules, but not detailed instructions. It is time to return to the kind of business practices that have made this the greatest country of opportunity.

Back in 1938 or 1939, the income picture of the United States was in the shape of an apex, with a very large group at the bottom having a family income of $1,000 a year or less, and moving up to a point where there were a few people receiving very large incomes. You could draw lines across this pyramid indicating the different income levels, and when you came to the center of it, it had narrowed by half. Today, the family income picture is much more in the shape of a diamond, with few families having an income of $1,000 a year or less, and few having extremely large incomes—but across the center of the diamond, there is a large group with incomes of $3,000 to $7,500 a year. Many of this group have moved up from the bottom. They know the value of a dollar. They buy with care, and only when they are completely satisfied that the article for which they are spending their money gives them the satisfaction they want.

I have grown up in a competitive retailing atmosphere. We put our "raw materials" from manufacturers with the services that our customers wanted. If we knew our stuff, we did it in an efficient way so as to justify a profit. To the extent that we understood the customer's desire, we were successful. If we only tried to sell the goods that the manufacturer wanted to sell, we were probably doomed to a period of little or no profits.

So this kind of a market energizes new methods of marketing. It calls for the use of all sorts of services, displays, better knowhow in selling, more courtesy, careful study of the elimination of wastes in the movement of goods between our resources and consumers.

The old days should be welcomed, but we must realize that management will have to retrain its staff of young men and women who have grown up in this easy seller's market. We ought to address ourselves to this problem with all possible speed.

The prospect of a five- or ten-year period of potential over-production seems to be regarded with fear in some quarters. We have been so accustomed to a seller's market, to shortages, to people buying everything that we produced, that we have gotten a bit soft. There have only been two small spells of a buyer's market since 1940. We retailers have forgotten that the customer is boss. The manufacturers forgot in many instances to study the wants and needs of their markets. The consumer hasn't been regarded as the principal stockholder. The future should be different. The emphasis must be changed. During the tougher years of the '30s we learned and knew how. Unquestionably we can do it again.

It seems to me that opportunities are great.

Imminent Balancing of Inventories

(1) In the last 15 months retailers were engaged in reducing their surplus inventories. At such a time they are not nearly as sensitive to their customers' wants as they usually are. Retail stocks did not properly reflect the everyday demand. This has now been changed, and by July or August 1st retail inventories should be in balance as against the present consumer buying. Under these circumstances purchasing from retailers and purchasing by retailers will probably improve. That has always been true in the past.

(2) Many of our cities need to be made over. This is particularly true of the old ones, where long depreciation has created slums, impossible traffic conditions, high crime percentages, and has driven people to the suburbs in order to find sunshine and a better life, but there are many facilities in the cities themselves that should continue to be employed. There are great investments in water and sewer lines, public utilities, schools and streets — so that if slum clearance and face lifting could be actively carried out, and the proper kind of traffic and playground patterns developed, the cities again would become pleasantly habitable. Even though this were done, there would still be movement to the suburbs, but perhaps not at the present accelerated rate. In those new suburbs, and in the re-made cities, there is developing today a new kind of living in which there is more ease and freedom. This calls for new homes, renovating old homes, new furnishings and many other things.

New Style of Dress

(3) The new suburban informal living has brought an altogether different style of dress to the people who have moved. Sportswear replaces dresses and suits. Formal attire is even less conventional. The growth of television means more parties at home, and calls for a different type of furnishing. But above all, the shorter work week, with its great opportunities for more recreation, means a greater demand for sporting goods, toys, and different wearing apparel. All of this spells different living in America.

(4) Wherever there are great changes it means new products and new markets. This is not the old idea of obsolescence. It is the discarding of the old for a more useful new, not the throwing away of something that still has great use value merely to buy something else because it happens to be of a later design. The needs are different—therefore the additional purchases.

(5) The population of the country is growing at a rate that the experts did not foresee. There are not only many more marriages but more children per family, and the growth curve is a most encouraging one.

(6) During World War II and also during the present mobilization many of our young men decided after the war that they were going to live in warm weather climates different from those in which they were born and reared. Migration to the South, Southwest, Southeast, Northwest, and West has been great. The last census revealed these figures in a rather startling fashion and the trend seems to involve a much greater trek than that of the old Gold Rush Days of 1849. My own company believes that this opens up a whole new market for our operations, and we are capitalizing on it by starting a new division, known as Fedway Stores. Our research indicated that there were many cities in these areas that have grown beyond their retail facilities. We are establishing stores in eight of these communities, and hope to develop out of this experiment, methods for the successful operation of a modified type of store that combines with chain operation the techniques that have been so successfully used in our larger department stores. When we have done this properly and profitably, we will be ready to spread this technique into many other cities where circumstances are similar.

Backlog of Liquid Assets

(7) There is a backlog of $285 billion of liquid assets of individuals—more than present personal annual income—as a guarantee fund for the future purchasing power of this country. To this can be currently added all of the wages and all of the purchases that come from the production and distribution of each item that moves into consumption.

(8) There are the additional guarantees of social security, minimum wages, and parity agricultural prices all favorable to distribution and consumption.

You will recall that the Committee for Economic Development was originally organized to energize manufacturers and distributors to use their best efforts to quickly convert from a war to a peacetime basis after World War II. Many people in the government, many economists and businessmen, were quite positive in their belief that in that changeover there would be at least eight million unemployed and that we would have a substantial recession. It was thought that the enforced savings of the war would be quickly spent, and while business might be good for a little while, the inevitable depression which has always followed wars was sure to occur. Many of us believed, however, that the savings would remain as a backlog and give assurance to buying on the part of the people who were employed. It would not be just a onetime deal. CED believe that it had a good deal to do with changing the thinking of many managements to stimulate them into the early designing and manufacture of new products and new methods of distribution so that unemployment might be minimized. These efforts were quite successful.

We can do this again. We can do it much better because we have our post-World War II experience. Distribution and marketing must be determined to carry a much greater part of the load. All of the old, hard-hitting competitive spirit will be useful.

Given the right kind of government fiscal management, involving sensible policies and debt management, taxes, and credit controls, we can look forward to mighty good times if the size of the job doesn't frighten us.

Halsey, Stuart Group Offers Utility Bonds

Public offering by a group of underwriters headed by Halsey, Stuart & Co. Inc. of an issue of $25,000,000 Public Service Co. of Indiana, Inc. first mortgage bonds, series J, 3⅜%, due July 1, 1982, is being made at 102.384% and accrued interest.

Proceeds from the sale of the bonds, and from the sale of $20,000,000 preferred stock, will be applied by the company to the prepayment of $23,000,000 bank loan notes and the balance toward the cost of its construction program.

The company has the option of redeeming bonds at prices beginning at 105.39%, and for sinking fund purposes only the bonds may be redeemed at prices beginning at 102.39%.

Public Service Co. of Indiana furnishes electricity in areas located in 70 of the 92 counties in the State of Indiana. The territory is residential, agricultural, and widely diversified industrially. Among the larger cities served are Terre Haute, Kokomo, Lafayette, New Albany and Bloomington.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—David L. Morton is now associated with Goodbody & Co., 217 South Church Street.

Joins Courts Staff

(Special to THE FINANCIAL CHRONICLE)

GREENVILLE, N. C.—Walter L. Robinson, Jr. has joined the staff of Courts & Co. of Atlanta.

Rejoins Leo Schoenbrun

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Walter Aufhauser has rejoined the staff of Leo Schoenbrun, 1385 Westwood Boulevard.

McAndrew Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jay D. McEvoy has been added to the staff of McAndrew & Co., Incorporated, Russ Building.

With Waldron & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Tinn H. Yu has joined the staff of Waldron and Company, Russ Building.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — John T. Gordon has become affiliated with Hamilton Management Corporation, 445 Grant Street.

S. W. Secs. Branch

MIDLAND, Tex.—Southwestern Securities Co. of Dallas has opened a branch office in the Capitol Building under the direction of Timothy H. Dunn.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Delma M. Kreutz and Julius D. Monteen are now associated with Waddell & Reed, Inc., Continental National Bank Building.

NY Curb's Extended Trading Time Deemed Highly Successful

Edward T. McCormick, President of New York Curb Exchange, announces extended trading to 3:30 p.m. is likely to be permanent.

A statement prepared by Edward T. McCormick, President, New York Curb Exchange, for Bache & Company's "Financial News" radio show on Mutual Broadcasting Network, which was read by Henry Gladstone, Commentator, on Tuesday, June 24, 1952, expresses satisfaction with the recent adoption by the Exchange of an extension of daily trading hours from 3 to 3:30 p.m.

E. T. McCormick

The statement of Mr. McCormick follows:

"After reviewing the reports of the first three weeks of trading under our current experiment with extended trading hours, I can report that, while the program has been in operation only a short period and the broad picture has yet to unfold, results to date are so good that I am optimistic about the possibility of maintaining the 3:30 close on a permanent basis.

"Since we began our experiment on June 2 our volume has totaled 4,528,330 shares. Turnover in the 10 to 3 period was 4,081,105 shares with a volume of 447,225 shares traded in the 15 extra half-hour periods. So far business transacted after three o'clock has averaged 11% of the 10 to 3 o'clock trading. The greatest percentage of business in the 3 to 3:30 period, as compared to 10 to 3 trading in any single day was reached on June 10 when the percentage climbed past 15%."

Amer. Gas & Elec. Co. Securities Offered

On June 19, Halsey, Stuart & Co. Inc. and associates, offered publicly a new issue of $20,000,000 American Gas & Electric Co. 3⅜% sinking fund debentures due 1977 at 100.75% and accrued interest, while The First Boston Corp. headed a group of underwriters offered publicly 170,000 shares of common stock (par $10) of the same utility at $60.25 per share.

The company expects to apply in 1952 the proceeds from the sale of the abovementioned securities to the purchase of additional shares of the common stocks of Appalachian Electric Power Co. and The Ohio Power Co., subsidiaries, and to the payment of $5,000,000 of notes payable to banks, issued by the company in connection with its investment of $8,000,000 in additional common shares of another subsidiary, Indiana & Michigan Electric Co., in January, 1952. The additional investments in the subsidiaries will enable them to meet part of the estimated costs of their construction programs.

Through the operation of a graduated annual sinking fund, payable in cash or debentures, begininng in the year 1956, 100% of the debentures will be retired at or prior to maturity.

Regular redemption of the debentures may be made at prices from 103.75% to par. Sinking fund redemptions may be made at receding prices from 100.875% to par.

American Gas & Electric Co. is a public utility holding company which owns, directly or indirectly, all of the outstanding common capital stocks of its operating electric utility subsidiaries except Central Ohio Light & Power Co. and preferred stock and bonds of one of them. The properties of the electric utility subsidiaries, located in the States of Michigan, Indiana, Ohio, Kentucky, West Virginia, Virginia and Tennessee, are physically interconnected, and their operations coordinated as a single integrated electric utility system. The principal operating subsidiaries in the company's system serve 2,260 communities in an area having an estimated population of 4,581,000.

Safeway Stores Conv. Pfd. Stock Offered

Merrill Lynch, Pierce, Fenner & Beane and associates yesterday (June 25) offered 200,000 shares of Safeway Stores, Inc., 4½% convertible preferred stock at $100 per share. The new preferred stock is convertible into common at the rate of $33⅓ per share of common stock, subject to adjustment.

Proceeds from the sale of the preferred stock will be used to reduce short term bank loans which were obtained to finance inventories and to meet current costs of the company's construction and modernization program.

The new preferred stock will be redeemable at prices ranging downward from $103 to $100.50.

Safeway Stores, Inc., operates a chain of retail food stores (2,123 at March 22, 1952) in 23 states, the District of Columbia and the five western provinces of Canada. A general wholesale grocery business also is conducted in Canada. The retail stores deal in groceries, meats, fresh produce, beverages, bakery and dairy products, frozen foods and other goods usually sold in the general retail food business. On the basis of sales volume for 1951, the company believes it ranks second among the food chains of the country.

F. H. Curtis With Hayden, Stone & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — F. Harmon Curtis has become associated with Hayden, Stone & Co., 10 Post Office Square. Mr. Curtis in the past was an officer of Robert Hawkins & Co., Inc. and prior thereto was a partner in Newton, Abbe & Co.

Draper, Sears Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard H. Titus has been added to the staff of Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges.

Canadian Securities

By WILLIAM J. McKAY

Canada's important economic position in this changing world constitutes a part of a general analysis and comment on the nature of human progress in the modern era, which has been published in recent issues of the "Monthly Letter" of the Royal Bank of Canada. Through reviewing progress in the civilized world as a whole, the important position of present-day Canada in material and technical advancement is commented on, without the deterring features of a vast array of statistics and analysis. Concerning Canada, the Royal Bank of Canada's "Monthly Letter" states:

"Until not so many years ago there was an inclination on the part of other countries to look upon Canada as merely a source of raw materials. Today Canada is an industrial country, culturally eminent and soundly progressive.

"It is 85 years since our loose provinces were gathered together by Confederation. In that time we have broken through frontiers of geography and climate and philosophy and custom to reach our present position. Today, Canada is leading in attempts to breach old-time prejudice and selfishness and insularity so that world economic reconstruction and stable progress may march side-by-side with political peace.

"In his farewell message last February, Governor General Alexander said this: 'Today, with a population of only 14,000,000, Canada is one of the richest countries in the world, and the real development of Canada is only just beginning. If nature has been kind to the Canadian people, nature could not have chosen a finer people upon whom to shower her gifts.'

"Canadian people have contributed largely to progress, not only of their own country but of the world. Let us look at some of our little-remembered achievements.

"Nine years after Confederation Alexander Graham Bell made the world's first long distance telephone call. It was from Brantford to Paris, Ontario, and the quotation was from Hamlet's soliloquy: 'To be or not to be.'

"John Wright of Toronto devised the first trolley pole, making the electric street car practicable. Robert Foulis, of Saint John, N. B., invented the steam fog horn. Dr. William Saunders and his son Charles developed Marquis wheat, opening up a whole new land to wheat growing. Insulin was found by Dr. Frederick Banting and Charles Best, and the Banting Institute conquered silicosis, the 'dust disease' which took so heavy a toll of life among miners. The electron microscope, which can magnify a human hair to the size of a telegraph pole, was built by Professor Burton, James Hillier and Albert Prebus. And, adding glamour to science and writing 'finish' to centuries of adventurous exploration, Sergeant Henry Larsen of the R.C.M.P. and his crew sailed the Northwest Passage for the first time from west to east.

"When Canada's first census was taken in 1666 to measure the advancement made by this French colony since the founding of Quebec by Champlain 58 years earlier, it was found that there were 3,215 inhabitants. Two hundred years later we had nearly 3½ million. And last year's census recorded 14,009,429 people.

"Like newly opened countries everywhere, Canada was at first agricultural, supplemented by pioneer mills and factories. Industrialization as we know it today began with the capital inflow of 1900-1913, mainly from Great Britain, and of 1920-1929, mainly from the United States. Since the end of World War II, domestic and foreign capital have joined to usher in what appears to be a new era of rapid and extensive industrialization.

"It is easy to show Canada's industrial progress statistically. Our gross national product at market prices grew from $5,956 million in 1929 to $18,122 million in 1950 and an estimated $21,241 million last year. In 1920, agricultural production represented 41.3% of the net value of all production, and manufacturing was only 32.7%. By 1948 agriculture had declined to 21.5% of the total net value of production, against 53.1% for manufacturing.

"But statistics are not everything. Canadians are not seeking a mechanical utopia. The ideal they have is a country developed by its people, using all that science can give them as an aid, but keeping their roots firmly grounded in the rich cultural heritage of the past.

"Canada does not dominate the physical world by her economic strength, her armed might, or her population figures, but in the world of ideas, of humanity and of graceful living she may hope to continue second to no country on earth.

"There are, of course, dangers in progress. Progress isn't altogether good for us, because it makes things so easy. If the blessings of civilization are greater, the possible disasters are also greater. It all depends upon how we conduct ourselves in this new environment. A scientist said woefully not long ago: 'The superman built the airplane, but the ape-man got hold of it.'

"Something entirely different from technical progress is needed to make sure that the large unit which now comprises humanity shall not blow itself up. Our social units have been growing: from the family to tribe; from tribe to nation; from nation to United Nations. The thinking we do needs to be on a similarly widening scale."

Obviously!

Noting that his company last year had a business in excess of $400,000,000 in some 275,000 merchandising items, Fred Lazarus, Jr., President of Federated Department Stores, Inc., added that neither central management nor individual store management could specify prices at which each piece of merchandise would be sold, but that this had to be delegated to department managers.

Fred Lazarus, Jr.

Mr. Lazarus then said:

"Even with the best intentions and the most experienced staff, no Washington office could do this job successfully. Prices are settled in millions of different instances every day in an economy like ours, and its ability to dispose quickly of large production depends on the resiliency of the price structure and the power of thousands of persons to make their own decisions."

If only the rank and file could be duly impressed with this obvious fact.

Watson Heads New York State Bankers Ass'n

Convention at Spring Lake, N. J., also elects Stanley A. Neilson as Vice-President, and Arthur F. Burson as Treasurer.

Ernest H. Watson, President, First Westchester National Bank of New Rochelle, New York, was elected President of the New York State Bankers Association at its 56th Annual Convention at Spring Lake, N. J., on June 20. He succeeds William T. Taylor,

Ernest H. Watson

Stanley A. Neilson

Arthur F. Burson

Vice-President and Director, Bankers Trust Company, New York City.

Stanley A. Neilson, President, Bank of Gowanda, Gowanda, New York, was elected Vice-President, and Arthur F. Burson, Executive Vice-President, State Bank of Honeoye Falls, Honeoye Falls, was elected Treasurer.

Ernest H. Watson, born in Warren, Pennsylvania, in 1889, was first introduced to the banking and financial world as a member of the staff of the Marion National Bank, Marion Ohio, and as a credit man with the Truscon Steel Company, Youngstown, Ohio.

To broaden his knowledge and experience further, Mr. Watson then joined the employ of the Office of the Comptroller of the Currency, where he served as a National Bank Examiner in the Chicago and New York districts.

Putting this experience to work, Mr. Watson then became Vice-President of the Chatham Phenix National Bank, New York City, and shortly after served as Assistant Manager of the New York office of the Reconstruction Finance Corporation.

For the last 18 years, Mr. Watson has been President of the First National Bank of New Rochelle. On Jan. 11, 1952, this bank consolidated with the Bronxville Trust Company and became known as the First Westchester National Bank of New Rochelle.

Stanley A. Nielson, the new Vice-President of the Association joined the Bank of Gowanda, Gowanda, New York, in 1916. Today he is that institution's President and a Director. He is also a President and a Director of E. L. Gayvert and Company, distributors of Kendall Oil and Gas, and the Super Service Company, Buick dealers in Gowanda.

Arthur F. Burson, the new Treasurer, became affiliated with the banking business 35 years ago when he joined the employ of the Central Trust Company, Rochester, New York. From 1930 to 1936 he was manager of the company's branch office in Brighton, New York.

Mr. Burson's services were soon sought by the State Bank of Honeoye Falls, Honeoye Falls, New York, with which institution he took over the duties of Vice-President in 1936. He was elected Executive Vice-President, the position he now holds, in 1949.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

AKRON, Ohio — James P. McCausland has become associated with Paine, Webber, Jackson & Curtis, Ohio Building. He was formerly with Lawrence Cook & Co. and Francis I. duPont & Co.

Joins Merrill, Turben

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Albert T. Lagemann has been added to the staff of Merrill, Turben & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Boston Edison 3⅛% Bonds Offered

Halsey, Stuart & Co. Inc. and associates yesterday (June 25) offered $15,000,000 first mortgage bonds, series D, 3⅛% due 1982 of Boston Edison Co., at 100.485% and accrued interest. The group won award of the bonds at competitive sale June 23, 1952 on a bid of 100.05%.

Proceeds from the offering will be used by the company for the payment of short-term debt payable to sundry banks. The balance, if any, will be used to pay for capitalizable expenditures or to reimburse the treasury therefor.

The bonds are redeemable at general redemption prices ranging from 103.49% to 100% and at special redemption prices ranging from 100.49% to 100%.

Boston Edison Co., incorporated in 1886, is an operating public utility engaged in the electric and steam businesses. The company supplies electricity in the cities of Boston (except the Charlestown district), Somerville, Newton, Chelsea, Waltham and Woburn, in the towns of Brookline, Arlington, Watertown, Framingham, and in 30 other smaller towns in Eastern Massachusetts covering an area of approximately 590 square miles. The population of the area served was 1,444,427 in 1950.

The company also supplies electricity in bulk to nine electric companies and utilities. Steam is supplied in parts of the City of Boston to 700 customers. The company also purchases and sells electrical appliances.

Southern New England Tel. Debens. Offered

Lehman Brothers and Salomon Bros. & Hutzler and associates yesterday (June 25) offered $15,000,000 33-year 3¼% debentures due July 1, 1985 of The Southern New England Telephone Co., at 101.014% and accrued interest. The group won award of the debentures at competitive sale Tuesday on a bid of 100.53%.

The new debentures are redeemable at general redemption prices ranging from 104.014% to par.

From the proceeds of the offering the company plans to repay advances in the amount of $12,800,000 from American Telephone & Telegraph Co. and the remainder will be added to the general funds. The company intends to expend before the end of 1952 an amount in excess of such remainder for extensions, additions and improvements to its telephone plant.

The Southern New England Telephone Co., incorporated in 1882, furnishes local telephone service within the State of Connecticut except in the principal portion of the Town of Greenwich and in a few small communities where connecting companies operate. The company also furnishes toll service within Connecticut and between points within and points outside of the state in conjunction with other companies. The services also include the teletypewriter exchange service, mobile radio-telephone service and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes. On March 31, 1952, telephones in service numbered 823,919.

With Howard Labouisse

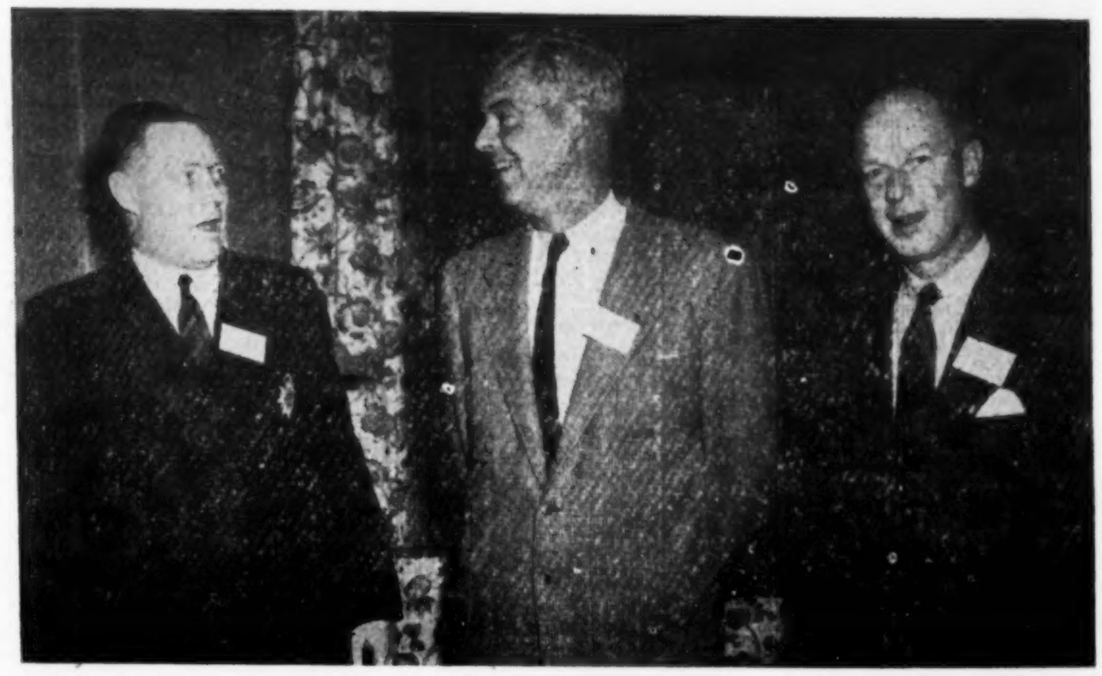
(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Henry W. Toledo has become associated with Howard, Weil, Labouisse, Friedrichs & Company, Hibernia Building, members of the New Orleans and Midwest Stock Exchanges. Mr. Toledo was previously with Renyx, Field & Co., Inc.

At the Convention of the Investment Dealers' Association of Canada

(Pictures arrived too late for inclusion in today's special Canadian Supplement)

Hon. D. L. MacLaren, Governor of New Brunswick; **Harold S. Backus,** *McLeod, Young, Weir & Company, Ltd.,* Toronto, new President of the I. D. A. C.



G. Johnson, *Credit Interprovincial, Ltee.,* Montreal; **W. D. McAlpine,** *Brawley, Cathers & Company,* Toronto; **Bob Clark,** *Calvin Bullock,* New York City

Arnold G. Plaxton, *Intercity Securities Corporation, Limited,* Toronto; **J. N. E. Grenier,** *Grenier, Ruel & Cie., Inc.,* Quebec; **J. A. Pequegnat,** *Cochrane, Murray & Co.,* Toronto; **Marcel Clement,** *"Le Canada,"* Montreal

Ralph Blackmore, *Globe & Mail,* Toronto; **Paul S. Deacon,** *Financial Post,* Montreal; **S. J. Brettingham,** *Financial Counsel,* Montreal; **Frank Spencer,** *Canadian Pacific Railway,* Public Relations Dept., St. John, N. B.; **Jack Frost,** *Investment Dealers Digest,* Chicago

G. M. Wilson, *Equitable Securities of Canada Limited,* Toronto; **Doug Armour,** *Brawley, Cathers & Company,* Toronto, with 9-lb. sea trout he caught; **John Weisse,** Maitre d'Hotel. The fish at the lower left was caught by **Bill McAlpine,** *Brawley, Cathers & Company,* Toronto

M. Arbour, *W. C. Pitfield & Company, Ltd.,* Montreal; **Guy Brunelle,** *L. G. Beaubien & Co.,* Montreal; **P. E. Ethier,** *Savard, Hodgson & Co., Inc.,* Montreal

Securities Salesman's Corner

By JOHN DUTTON

Back during the war years of around 1943, I knew a fellow who was the leading salesman for memberships to a large Chamber of Commerce in an eastern city. Ordinarily one would not suspect that any salesman could earn a much higher than average income from his commissions on this type of proposition. But this man was doing just that. Other salesmen tried this field and very few were able to do much with it. In fact, this salesman was so good at selling memberships that his bosses refused to give him any other kind of job in the organization; besides he wouldn't have accepted if they did—he was doing too well as a commission salesman.

One day I asked him what he thought was the reason why he was doing so well and so many others failed. He thought a moment and without hesitation replied, "I think this job is 90% glandular energy." I asked him to explain further. "Well, it's like this. See these prospect cards on my desk. Every night when I come in from my calls I go over the next day's work. I have them assorted in piles. Some are for next week. Some for day after tomorrow. But look at that stack for Saturday morning." I did, and noticed about 20 prospect cards in a neat arrangement on his desk. I asked him if he expected to make that many calls on a short Saturday morning. "Of course not," he replied, "that's my sorting out pile."

Then he told me that for the first year or so in his job he took a pocketful of prospect cards and started out. He would work compact sections of the city. This was because he wanted to save travel time. He even selected people in a single industry, such as importers, cotton merchants, or stock brokers. Since in his city those engaged in certain lines of activity were usually concentrated in a specific area, he thought that this might assist him to accomplish better results.

But despite these sound procedures he found that he was still unable to make enough sales to justify the excessive amount of time that he wasted waiting for interviews, or trying to find people who were out of their office, or who would not see him.

At last he decided to use the telephone. He used it exclusively for the purpose of making appointments. He eliminated dead wood by the hundreds, and in this way he collected real live prospects that he could see at a definite time, and for a purpose. He spent between five and six hours a week on the telephone just making appointments. I asked him when he thought he had the best results from his phone calls. He told me that rainy days were excellent and that sometimes he would take an entire day at the end of the week for this purpose. He said that people would sometimes give him an interview on a week-end call that was set up for the following week, when they might not do so if he tried them on a Monday or Tuesday.

Now to get back to his statement that "glandular energy," as he called it, was the main reason for his high earnings. I will grant (having known him well) that he was a beaver for work, but it does seem that he also had the capacity to analyze his problems and work out a solution for them. Sales work is a combination of applied energy and direction.

Many investment organizations are beginning to realize that there are types of security buyers. Today we have the wealthy investor who is plagued by high taxes and who has specific investment needs. We have the retired people. We have the new investors; the young people who have not bought securities before and who are looking for a plan for capital appreciation. Then, of course, we have the institutional investor. A sound advertising campaign should produce prospects for a sales force that has been focussed upon qualified investors, and if possible it should try and qualify them in advance of the salesman's call. By using the telephone properly an efficient salesman can provide himself with interviews that have a better than average chance of developing into something more than a time-wasting expenditure of his energy.

The following piece of literature came to my desk the other day. It was mailed by the First California Company to investors. It read thusly: "Future Fund is NOT for everybody. It is NOT, for example, for the retired person now living on his investment income. IT IS for the employed person who wants a plan for producing tomorrow's **retirement** income out of today's **earned** income. It is **only** for those who **discipline** themselves to a financial system. Want more information?" A handy reply card was enclosed.

This type of advertising qualifies prospects and saves a salesman's valuable time and energy. Follow such prospects and you should have above average results.

Savings Banks Deposits Reach New Peak

Robert M. Catharine, President of National Association of Mutual Savings Banks, says gain of $137 million in May this year was twice that of same month a year ago. Finds holdings of mortgages by savings banks rising, while holdings of U. S. Government bonds continue to decline.

According to Robert M. Catharine, President of the National Association of Mutual Savings Banks and President, Dollar Savings Bank of the City of New York, deposits in the 529 mutual savings banks of the nation rose $137,000,000 during May, to reach a new record figure of $21,572,000,000. "This is almost double the gain of $72,000,000 during May, 1951, and is the largest for any May since compilation of these figures began in 1947," Mr. Catharine said. "May is the fourth successive month in 1952 in which the increase exceeded that of the same month in every one of the last five years. The total increase in deposits for the past 12 months has been $1,338,000,000, or 6.6%."


Robert M. Catharine

The large gain in deposits, Mr. Catharine states, reflects a continued inflow of new funds from savers. During May, people deposited 10% more in their regular accounts than they did during the corresponding month of 1951 and they withdrew 5% less. For 14 consecutive months, deposits have been above those of the year before, while withdrawals have been less in 11 of the preceding 12 months. In May, as during the first four months, three-fourths of the regular deposit gain resulted from the receipt of new money in contrast to interest-dividends.

Holdings of mortgage loans continued their rise above the $10 billion mark, while holdings of U. S. Governments continued their decline below that figure. At the close of May, mortgage holdings reached $10.3 billion, or 42.3% of assets, and holdings of U. S. Governments were $9.8 billion, or 40.1%. During May, holdings of mortgages rose $108 million and holdings of corporate and municipal securities $61 million. Holdings of U. S. Governments declined $14,000,000 and cash $10,000,000.

Inv. Counsel Ass'n Elects New Officers

At the annual dinner meeting of the Investment Counsel Association of America held in New York City, the following officers were elected for the ensuing year: Chairman, Floyd L. McElroy, of Loomis Sayles & Co., Inc.; Vice-Chairman, Howard F. Wortham of Wortham & North, Inc.; Secretary, Jabez H. Wood, of Van Cleef, Jordan & Wood; and Treasurer, James F. Lawrence of Scudder, Stevens & Clark.

The Association, founded 14 years ago, is a national organization which has taken an active part in matters affecting the interests of the profession or its clients.

With Gibbs & Coe

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Gerard F. Laflash is now with Gibbs & Coe, 407 Main Street.

Smith Hague Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Orvis H. Leidy has become connected with Smith, Hague & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges.

Henry Borchers Opens

Henry R. Borchers is engaging in a securities business from offices at 81 Cliff Street, New York City.

Bond Club of New Jersey

Harry D. Miller, *Nugent & Igoe*, East Orange, N. J., President of the New Jersey Bond Club

Russell M. Ergood, Jr., *Stroud & Company, Incorporated*, Philadelphia; Rollie Morton, *Blue List*, New York City; C. J. Waldmann, *Kean, Taylor & Co.*, New York City

Alex Seidler, *National State Bank*, Newark; Ken Spear, *Julius A. Rippel, Inc.*, Newark; Cy Currier, *Mueller & Currier*, Newark

Frank Cole, *F. R. Cole & Co.*, Newark; Paris Scott Russell, Jr., *Glore, Forgan & Co.*, New York City; Richard N. Rand, *Rand & Co.*, New York City; Ned Byrne, *Byrne and Phelps, Inc.*, New York City

Dick Monaghan, Newark; H. O. Ballou, *Shearson, Hammill & Co.*, New York City; John Manning, *Manning, Shanley & Co.*; Ray Vanderhoff, *Fidelity Union Trust Commpany*, Newark

Harry P. Schaub, *Harry P. Schaub, Inc.*, Newark; Carl K. Withers, *Lincoln National Bank*, Newark; George Philo, Upper Montclair, N. J.; E. H. Hills, *Eldredge & Co., Inc.*, New York City; Monroe Poole, *George B. Gibbons & Company, Inc.*, New York City

H. C. Sylvester III, *Hall & Company*, New York City; Carl A. Preim, *R. W. Pressprich*, New York City; Ed Hinckley, *Adams & Hinckley*, Newark; J. Kirk Hopper, *Equitable Securities Corporation*, New York City

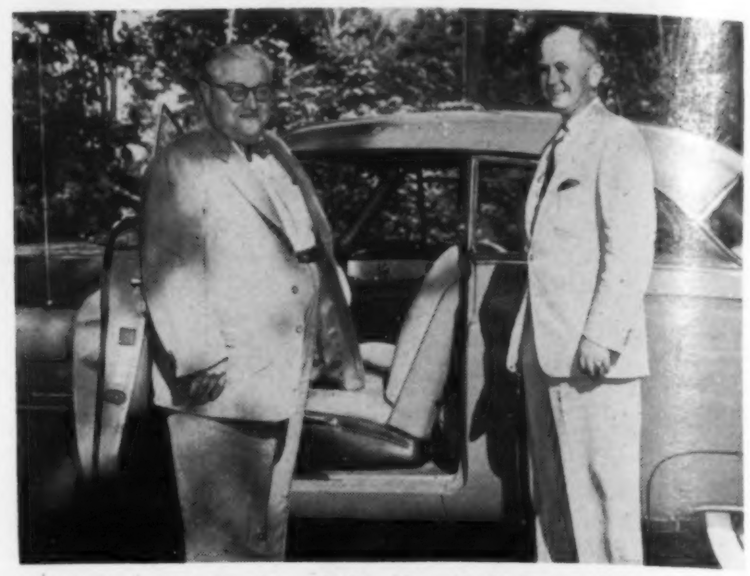
Norm Lillig, *First National Bank of Paterson, N. J.*; R. R. Wilson, *Union Securities Corporation*, New York City; Chett Bardsley, *Salomon Bros. & Hutzler*, New York City; Jerry Tripp, *Tripp & Co., Inc.*, New York City; J. J. Gustat, *Halsey, Stuart & Co. Inc.*, New York City

Al Currie, Vice-President and Trust Officer, *First National Bank of Paterson, N. J.*; F. Raymond Peterson, Chairman of the Board, *First National Bank & Trust Company of Paterson, N. J.*; Roy A. Hitchings, Vice-President, *Fidelity Union Trust Company*, Newark

Annual Summer Outing

E. G. Ewing, *Ewing & Co.*, Montclair, N. J.; Richard F. Saffin, *Boland, Saffin & Co.*, New York City

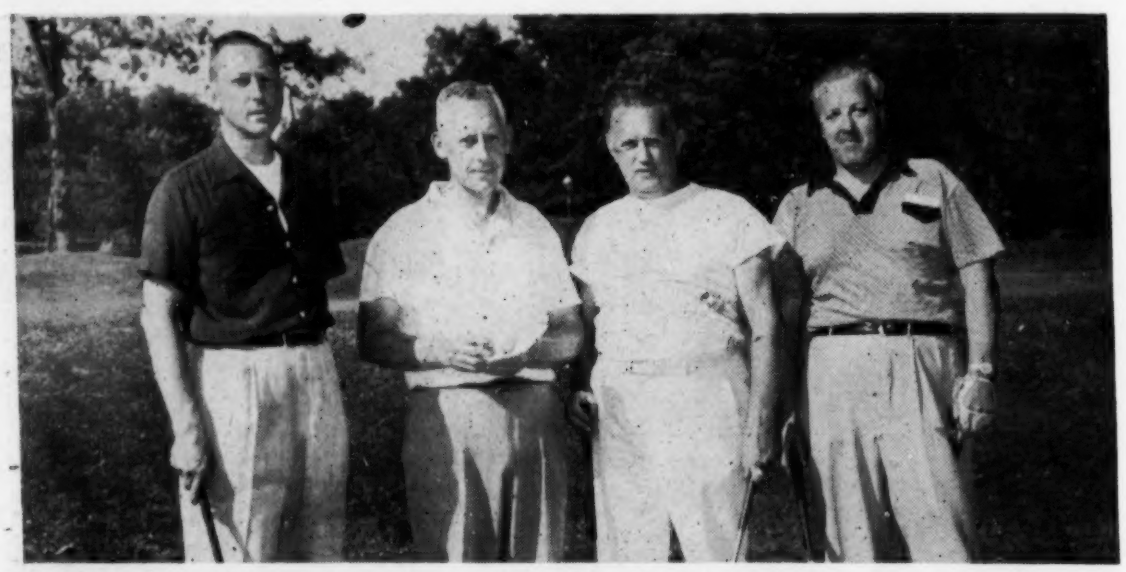
W. B. Scribner, *Ewing & Co.*, Montclair, N. J.; Bud Keator, *Blue Ridge Mutual*, New York City



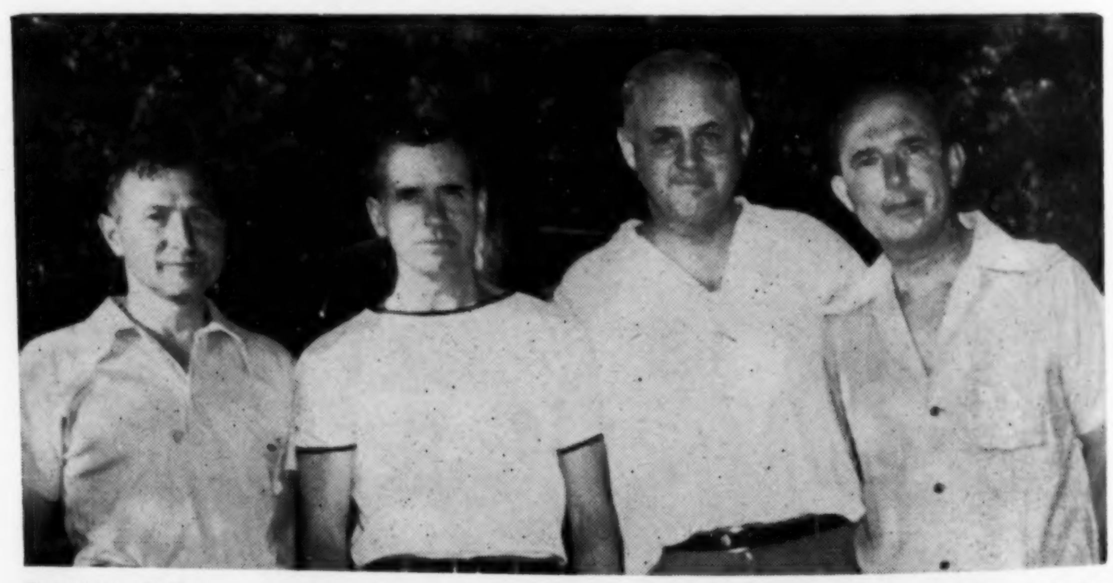
Harold B. Smith, *Pershing & Co.*, New York City; Portland Merrill, *Blyth & Co., Inc.*, New York City

George Henderson, *Harris, Upham & Co.*, Newark, N. J.; James B. Kirk, *Harris, Upham & Co.*, Newark, N. J.; Frank E. Quinby, *Howard Savings Institution*, Newark

Bob Lewis, *Ryan, Hanauer & Co.*; H. W. Faath, *Tripp & Co., Inc.*, New York City; Ken Ebbitt, *Shelby Cullom Davis & Co.*, New York City; Walter Stohl, *Fidelity Union Trust Company*, Newark



W. K. Van Hise, *Parker & Weissenborn, Inc.*, Newark; Stan Weissenborn, *Parker & Weissenborn, Inc.*, Newark; Al Johnson, *Federal Trust Company*, Newark; Bert Shaw, *Vance, Sanders & Company*, New York City

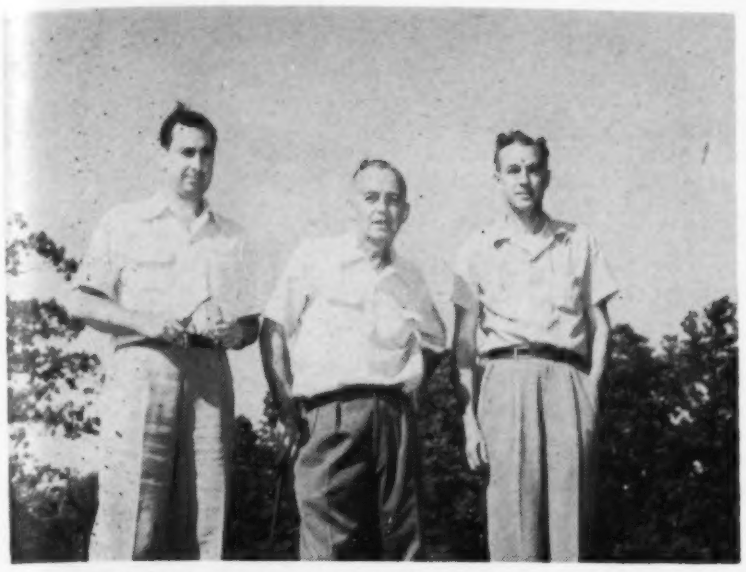


Daniel L. Reiber, *National State Bank*, Newark; James G. Campbell, Jr., *W. E. Wetzel & Co.*, Trenton, N. J.; John W. Kress, *Howard Savings Institution*, Newark; George W. Arnett, *Trenton Savings Fund Society*, Trenton, N. J.

R. P. Bennett, *E. A. Clark & Co.*, New York City; Dick Cleary, *Robert Garrett & Sons*, New York City; Frank Cullum, *First Boston Corporation*, New York City; Russell Hartrauft, *Spencer Trask & Co.*, New York City

C. M. Haight, Jr., *Tripp & Co., Inc.*, New York City; J. S. Johnston, *L. F. Rothschild & Co.*, New York City; W. R. Dunn, *Mackey, Dunn & Co., Inc.*, New York City; W. L. Brown, *B. J. Van Ingen & Co., Inc.*, New York City

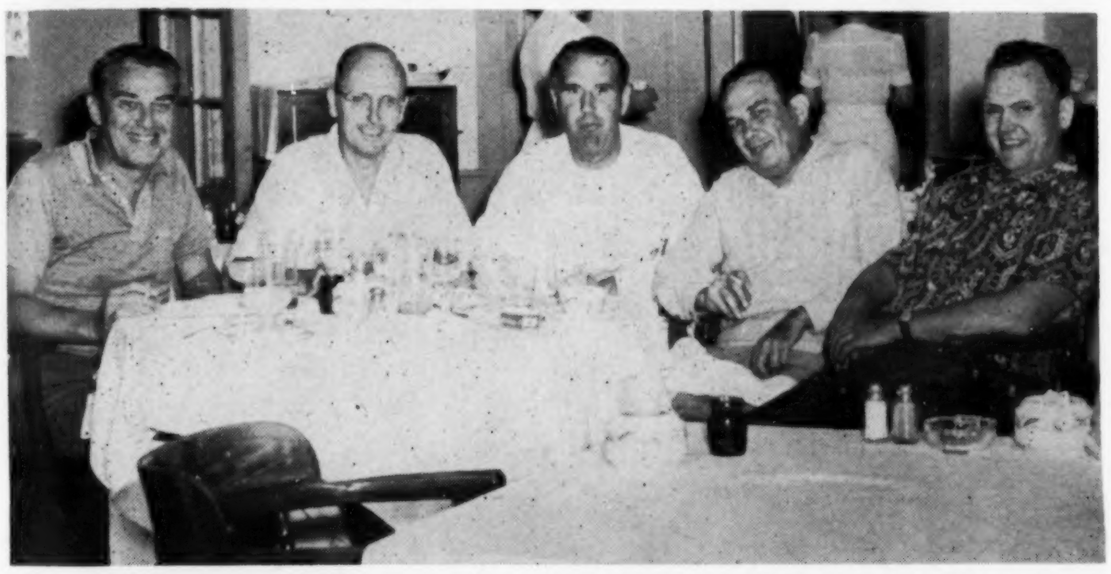
At Rock Spring Club



Grady Wells, *Andrews & Wells, Inc.*, New York City; E. M. McLaughlin, *Paine, Webber, Jackson & Curtis*, New York City; Dick Whitcomb, *Phelps, Fenn & Co.*

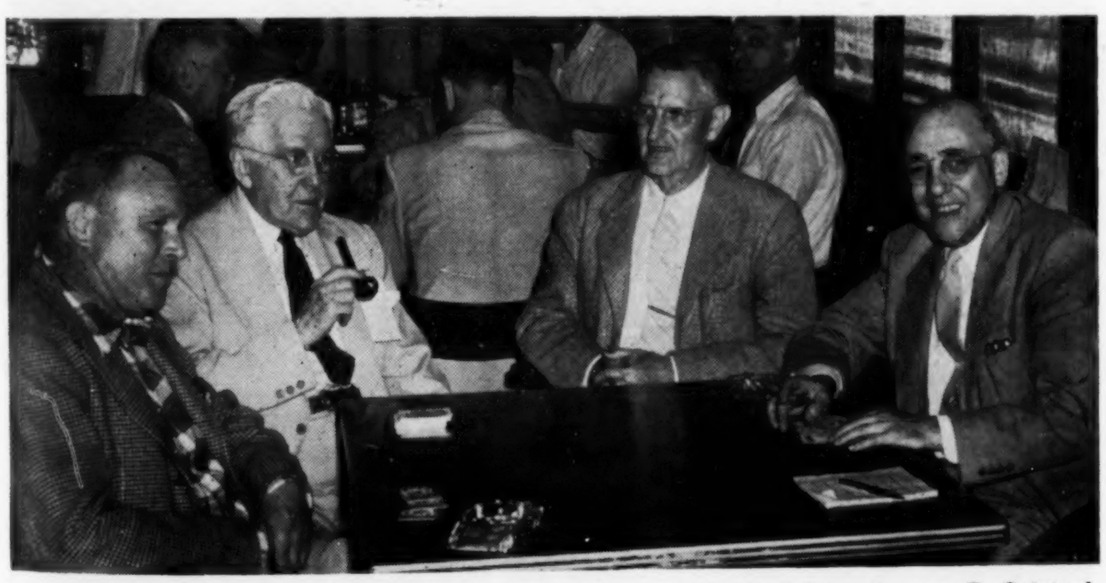
Don Mackenzie, *Marine Midland Trust Company*, New York City; H. C. Brewster, *Allen & Company*, New York City; G. W. Slaight, Jr., *Granbery, Marache & Co.*, New York City

Walter F. Coss, *B. J. Van Ingen & Co., Inc.*, New York City; Don Joseph, accordionist; Daniel E. Fitzpatrick, *Phelps, Fenn & Co.*, New York City

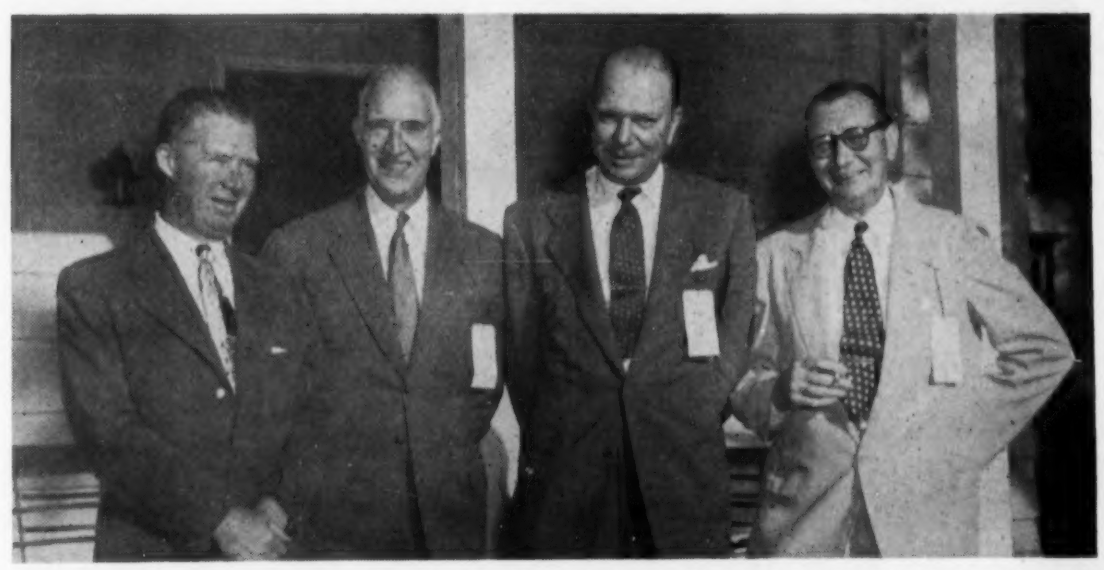


Harry D. Miller, *Nugent & Igoe*, East Orange, N. J., President of the Bond Club of New Jersey; Ed Kezer, *B. J. Van Ingen & Co. Inc.*, New York City, Field Day Chairman; Robert Pyle, *Hornblower & Weeks*, New York City; Nort Rogers, *Rand & Co.*, New York City; Walter H. Stohl, *Fidelity Union Trust Company*, Newark, N. J.

Front Row: Al Leek, *Coffin & Burr, Incorporated*, New York City; Wm. H. Boland, *Boland Saffin & Co.*, New York City; Court Parker, *R. W. Pressprich & Co.*, New York City. Rear Row: W. P. Wilson, *W. C. Langley & Co.*, New York City; Jack Kraus, *Colonial Life Insurance Co.*, East Orange, N. J.; Robert W. Lane, *MacBride, Miller & Co.*, Newark



Dave Kales, *Wood, Gundy & Co., Inc.*, New York City; Charles G. Colyer; Romeyn B. Quintard, *Suplee, Yeatman & Company, Inc.*, Philadelphia; Russ Dotts, *Woodcock, Hess & Co., Inc.*, Philadelphia



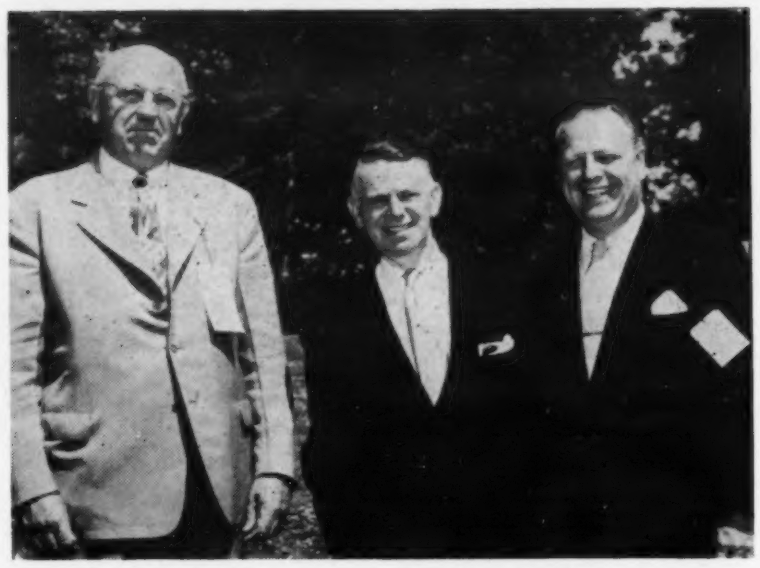
Paul Rutter, *American Insurance Co.*, Newark, N. J.; Julius A. Rippel, *Julius A. Rippel, Inc.*, Newark; D. K. Sias, *National State Bank*, Newark; F. H. Becker, *Guaranty Trust Company*, New York City

ewart R. Terrill, *J. D. Topping & Co.*, New York City; John F. Dolan, *Spencer Trask & Co.*, New York City; Richard H. Marshall, *Laurence M. Marks & Co.*, New York City; Harold J. Kennedy, *E. F. Hutton & Company*, New York City

Glenn D. Thompson, *National State Bank*, Newark, N. J.; E. L. Winpenny, *Laird & Company*, New York City; John J. Ryan, *Ryan, Hanauer & Co.*, Newark; Bob Krumm, *W. H. Morton & Co., Incorporated*, New York City

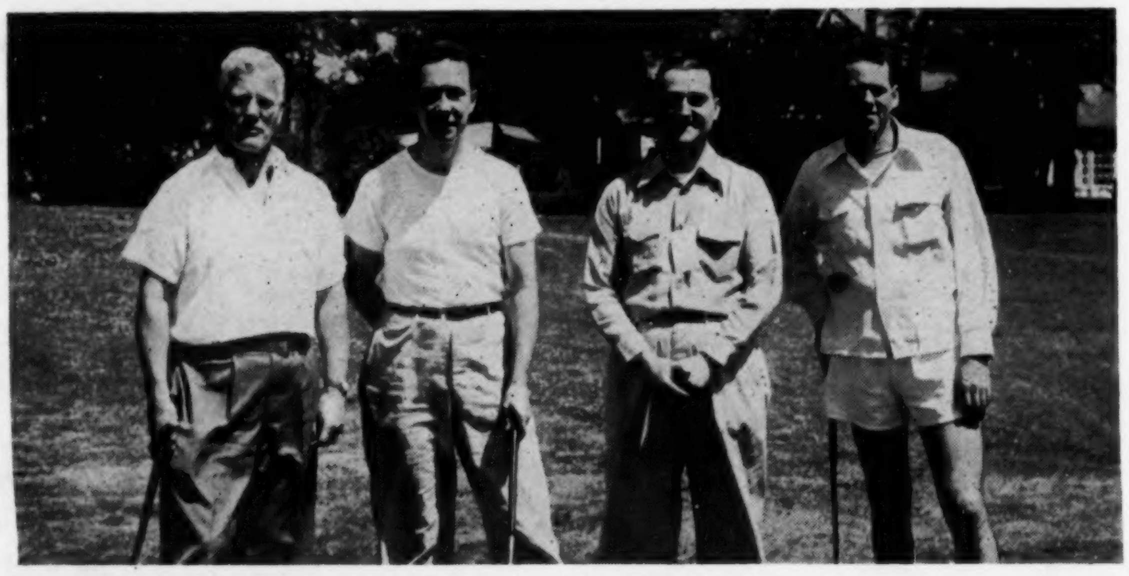
June 20th, 1952

Jay Richardson, *Halsey, Stuart & Co. Inc.*, New York City; John Ryan, *Passaic Clifton National Bank & Trust Company*, Passaic, N. J.

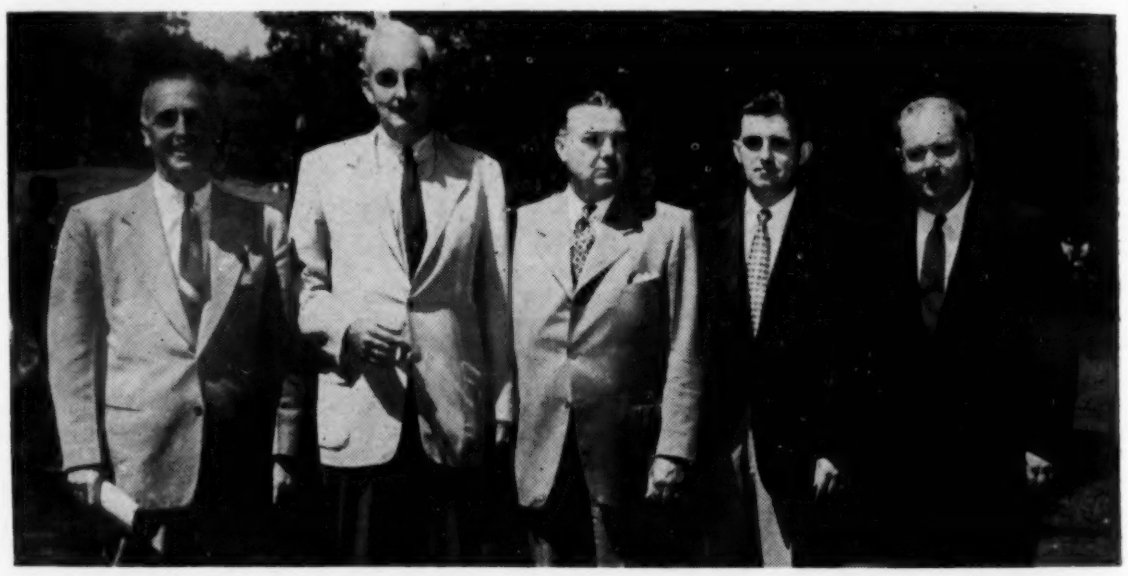


Charles E. Reed, *Kean, Taylor & Co.*, Newark; W. M. Farrar, Jr., *Schwabacher & Co.*, New York City; Edwin L. Beck, *Commercial & Financial Chronicle*, New York City

Hal E. Murphy, *Commercial & Financial Chronicle*, New York City; Richard D. Nelson, *Colonial Life Insurance Co.*, East Orange, N. J.



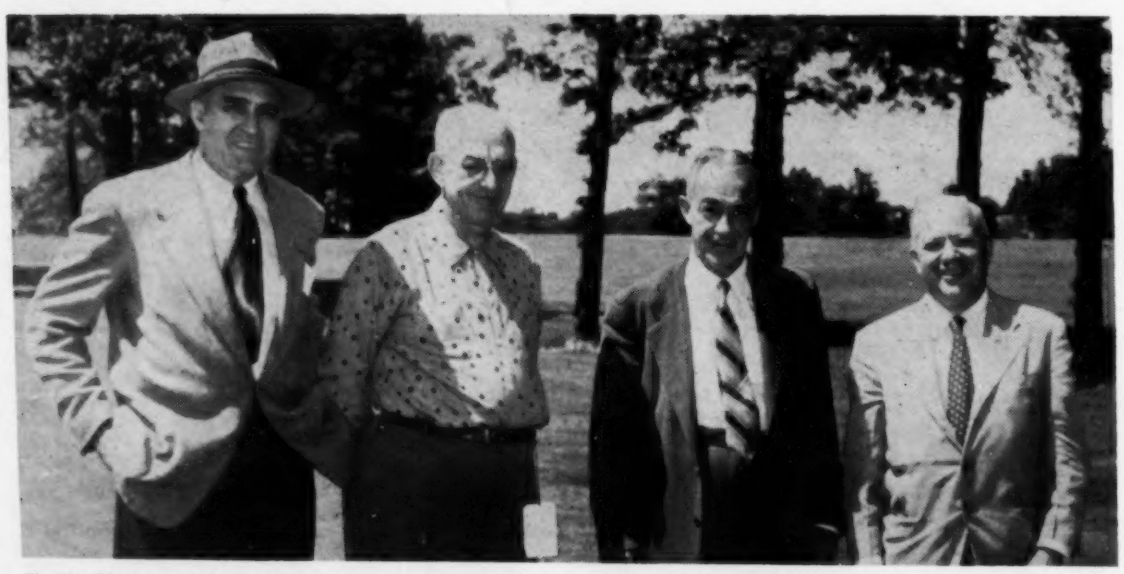
Sidney L. Weedon, *Hugh W. Long and Company, Inc.*, New York City; Jim Gilbert, *Hornblower & Weeks*, New York City; Austin H. Patterson, *First Boston Corporation*, New York City; Jim Ransom, *Harris Trust & Savings Bank*, New York City



H. H. Hegel, *Federal Trust Co.*, Newark; W. T. Callan, *Federal Trust Co.*, Newark; Howard B. Dunning, *C. P. Dunning & Co.*, Newark; Joe Cantlie, *Tripp & Co., Inc.*, New York City; Bill Roos, *MacBride, Miller & Co.*, Newark

Jack Duerk, *Howard Savings Institution*, Newark, N. J.; John P. Ryan, *Goldman, Sachs & Co.*, New York City; Ed Tallau, *Howard Savings Institution*, Newark, N. J.; Jack Sachau, *Blyth & Co., Inc.*, New York City

K. D. McLaren, *The Corporation Trust Company*, New York City; Martin Issler, *Griggs, Baldwin & Baldwin*, New York City; C. Wallace Smith, *Smith, Barney & Co.*, New York City; Charles S. Morley, New York City



R. N. Flippin, *Smith, Barney & Co.*, New York City; Foy Porter, *Estabrook & Co.*, New York City; H. A. Hoehn, *Gregory & Son, Incorporated*, New York City; A. F. Rice, *Laurence M. Marks & Co.*, New York City

Chick Spring, *Outwater & Wells*, Jersey City, N. J.; Jim Currie, guest; Ed Purcell, *Commercial Tru Company*, Jersey City; Harry Zimmer, *Commercial Trust Company*, Jersey City

Bond Club of N. J. Golf Tournament Winners

The following are the scores of the winners in the golf tourney and other sports events at the annual outing of the Bond Club of New Jersey held June 20th at the Rock Spring Club, West Orange, N. J. (Pictures at the outing appear elsewhere in today's issue.)

Bond Club Trophy:		L. Walter Dempsey	Net 63
Class "A":	Low Gross	M. M. Issler	76
	1st Low Net	T. G. Kenyon	65
	2nd Low Net	J. A. Brown	66
Class "B":	Low Gross	N. Brassler	84
	1st Low Net	R. M. Pyle	67
	2nd Low Net	B. B. Baekey	68
Class "C":	Low Gross	R. P. Bennett	93
	1st Low Net	B. Fairbanks	65
	2nd Low Net	W. P. Pruden	65
Kickers:	F. J. Brown		
Nearest the Pin:	1st Place:	H. Ballou	10 inches
	2nd Place:	E. W. Tallau	13 inches
Horseshoes:	1st Prize:	J. Gilbert and R. P. Norton	
	2nd Prize:	C. Bishop and B. B. Baekey	

Continued from page 3

Will Inflation Come Again?

policy would result in less spending. It is much easier for the executive to request, and for the Congress to authorize, the spending of deficit dollars than of tax dollars. It is, as a matter of fact, axiomatic that the public will expect less spending of a government which insists on paying its way than of a government which develops the chronic policy of putting it on the cuff.

Some, however, have contended that the best way to achieve pay-as-we-go is to entirely forget about taxes, and to concentrate on reducing the spending. This conclusion is sound if tied in with a real program of budget reduction. The more enthusiastic people in this group will state that the way to prevent spending is not to provide the tax dollars. That, I think, is a sadly mistaken notion, as long as there are no restraints on borrowing. Under present conditions, those who have control of the spending also have control of the public debt.

From the time of the Korean War until this January, the Administration paid lip service to the pay-as-we-go principle. It never did recommend a sound and balanced tax program for achieving this goal, within the limits of the spending which they insisted was necessary in the public interest.

In the President's budget presented to the Congress in January, all pretense of supporting pay-as-we-go was dropped. Thus, Congress has been in the position of considering higher spending requests this year without any formal request from the executive branch that it enact the necessary covering taxes.

Government fiscal years run from July 1 to June 30. The fiscal year 1953 begins on the first of next month. Let's take a preview at the expenditure-revenue picture in that fisal year.

In January, the President estimated Federal spending of $85.4 billion, but tax collections of only $71 billion, leaving a budget deficit of $14.4 billion. However, the military presented spending estimates to Congress two and a half billion dollars higher than those set forth by the President, and in the absence of official disavowal, we may assume that the Administration actually plans to spend $87.9 billion in the next fiscal year, creating a deficit of $16.9 billion.

More recently, the staff of the Joint Congressional Committee on Internal Revenue Taxation has estimated revenue under present tax laws for the next fiscal year at only $68.3 billion, or nearly $3 billion under the President's estimate. Thus, there is a difference of nearly $19 billion between the spending plans of the Administration, and the most recent authoritative estimate of revenues.

The Joint Staff did estimate spending at only $80 billion, which would mean a deficit of only $12 billion, with the **only** underscored. This estimate was based on an analysis of the spending pattern, instead of impending Congressional cuts in appropriations. It reflects a great body of opinion that there is a limit to how much the executive can spend, even if the funds are made available by Congressional action. I, for one, would feel much more comfortable if the funds were not made available.

Prospective Deficit and Further Inflation

Congress is cutting the spending requests. What the total authorized for the next year will be, I cannot now predict. We can be certain, however, that the total will exceed the anticipated revenues by many billions of dollars.

What does this mean, inflation-wise? In the pure sense, it means more inflation—there will be more money in the economy not matched by new goods and services. Whether this assures general price rises above present levels, I cannot say. In the absence of new money, it seems quite likely that prices would go lower. Perhaps the effect of the money will be only to keep prices on a higher level than they otherwise would be. To condone this situation would be to state that the consumer is never entitled to a break.

But the timing of the flow of new money is also of significance. The Federal fiscal system is seriously out of balance in regard to the inflow of tax receipts during the first and second six months of the fiscal years.

Taking the lower of the tax receipts estimated for next year, careful analysis shows that something like $27.5 billion will be taken in from July to December and forty and a half billion dollars from January to June. If we assume that the Government is to spend $82 billion during the year, divided equally as between the first and second six months, the result would be a deficit of $13.5 billion in the first six months, and an approximate budget balance in the second six months. No matter how you look at it, a lot of new money will be pumped into the economy in the next six months.

What's the Remedy?

What could be done about this situation?

First, the budget could be cut back to the neighborhood of expected revenues. Through its Government Economy Committee of some 300 members, drawn from all sections of the country and most segments of industry, the Association which I represent developed a detailed budget study entitled "Cut the Budget — How and Where," citing chapter and verse on the detail of budget cutting to a total of $14.8 billion. This study, or summaries of it, have been widely circulated, and it has elicited much favorable comment. It could be done, if the will to do it were there.

The second thing that might be done would be for Congress to lower the statutory debt ceiling. At present, the limit is $275 billion, while the debt itself is in the neighborhood of $260 billion. Again, my Association through its Government Economy and Taxation Committees, has recommended that this ceiling be reduced from $275 billion to $265 billion. This also could be done, if the will were there.

I am sure your next question is —if the budget is not to be cut down to the bone this year, when will it be? After all, the public is aroused. It seemingly demands economy.

One of the problems of public understanding on this subject is the tendency to talk about taxes as if taxes and expenditures were synonymous, and as if tax reductions automatically meant spending reductions. You have heard statements to the effect that 15% could be cut out of the budget—others picking up this remark have talked about a 15% tax reduction. Perhaps you have heard even higher percentages mentioned.

I just want to leave this part of my talk with a few illustrations on the magnitude of the budget reductions that must precede general tax relief. Starting with the President's January estimates as added to by the military—or $87.9 billion—it would take a budget cut of approximately 22% to get the expenditures down to the level of the conservative estimates of revenues. Starting with $85.4 billion, it would take a cut of roughly 20%. Or, starting with $80 billion, it would take a cut of 15%.

Such cuts would be a start. Only succeeding cuts would provide real opportunity for broad-scaled tax reduction—unless we permanently abandon the principle of pay-as-we-go.

The Factor of Public Apathy

Now, what about the factor of public apathy? Are various segments of our society and their leaders—business, workers, farmers, people generally—psychologically attuned to damming up the flood of Federal spending, and deficits and easy credit operations?

It's a hard question. There is a great deal of current talk about inevitable deflation, recession and even depression. No thinking American wants another depression.

Now, actually, there is just one way to avoid deflation—that's not to inflate. Deflation is an adjustment from inflation. The higher the spiral, the greater the dip.

In other words, deficits and loose fiscal policies inevitably cast a shadow over the future stability of the economy.

Inflation is an economic disease, like drunkenness with human beings. Both can be prevented by strong and resolute wills. But once in possession of the body politic, or of the body, they cannot be controlled—they can only be stopped if action is taken in time. And stopping isn't easy by any yardstick.

Faced with deflation, or with de-hydration, the overwhelming temptation is to take another shot. Each time the decision is postponed, it is more difficult to make. The time can come with any nation, or with any person, when it is too late.

Perhaps what we need is an alcoholics anonymous for public spenders.

But we, the people, just can't pass the entire buck back to those in public life. Our public officials do have a responsibility for straight thinking, and straight talking. Too many have preferred to coast on the theory that the public won't shoot Santa Claus.

In the final showdown, it's the people at large who must hit the sawdust trail. In our weakness, we have liked the benefits that inflation has brought, or seemingly brought, to us as individuals. We have been against inflation, of course, but especially for the other fellow. To take the cure, we have got to recognize that there are no long-range and permanent benefits from inflation for any of us. The end-product of inflation is general demoralization and despair reaching into every hamlet and every home of the nation.

I do not mean to leave you on a note of despair. Despite the irresponsible and loose fiscal policies generated in the high seats of government, despite the evident public apathy about coming to grips with the problem, despite **the lateness** of the hour, I have confidence that Americans will yet turn a deaf ear to the blandishments of the soft money addicts, and demand the return of the nation to a sound fiscal system.

Living Under Shadow of Fear

Actually, our present position is the result of a fine and distinguishing trait of the American character—it is just not our nature to live under the shadow of fear.

But fear and facing danger are two different things. Americans need only to be alerted to public enemy number one, inflation—a far more serious and deadly enemy than international communism.

Many years ago, Lenin stated that the way to destroy a free society was to force it to debauch its currency. Just as we are taking the Communist challenge in stride, so am I sure that, before it is too late, we will call for a showdown with inflation.

In this blessed land of ours, a showdown means a fight to the finish—and victory.

"Duke" Hunter will Celebrate Saturday

Wellington "Duke" Hunter, Hunter Securities Corporation, 52 Broadway, New York City, on Saturday will celebrate the anniversary of his arrival in Brooklyn, June 28, 1897. Mr. Hunter, who has been active in the Street since October, 1914, is a charter member of the Security Traders Association of New York. His principal hobby is bowling and this he indulges with the STANY Bowling League.

Wellington Hunter

Joins King Merritt

(Special to The Financial Chronicle)

BENICIA, Calif. — Hugh B. Rudd is now associated with King Merritt & Co., Inc.

Joins Paul Rudolph

(Special to The Financial Chronicle)

SAN JOSE, Calif.—Roland A. Hotin is now connected with Paul C. Rudolph & Company, Bank of America Building.

With John G. Kinnard

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — John D. Coyne has been added to the staff of John G. Kinnard & Co., 71 Baker Arcade.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Operating results of the New York City banks for the first half of the current year should be available next week.

Present indications are that earnings for the second quarter of the year have continued at the same rate as, and in some cases better than, that experienced in the first quarter. This would indicate operating results for the first six months considerably better than those reported in the comparable period of 1951. Although all institutions may not follow the same pattern, the general trend of earnings should be upward.

The primary reason for this expected improvement in operating results is that banks are still adjusting their loans and portfolios to the higher level of interest rates currently prevailing.

In other words, the banks have benefited throughout the entire quarter from the current rates. Operations in the first quarter, on the other hand, reflected the higher rates for only a portion of the quarter, as the last increase in rates was made in that period. The practical effect has been that as old loans made a year ago have matured new ones have been made at the higher rates. Thus, operations in the second quarter have been aided by having a greater portion of earning assets employed at the higher rates.

So far as the composition of earning assets is concerned, there have been only minor changes in the different groups during the quarter.

Commercial loans were in a seasonal downtrend during most of the period, but the decline was less than usual and in recent weeks there has been a considerable recovery in loan volume. This, combined with a larger total of loans on securities may enable the banks to show loan figures at the end of the period close to those of March 31.

Present indications are that holdings of government securities may be somewhat higher than three months ago. However, it remains to be seen just what the impact of the recent Treasury financing will be. There has been some indication that a considerable portion of the issue was allotted to what might be considered temporary holders and that subsequently the banks have been absorbing bonds.

Even before this financing, however, bank holdings of government securities were higher and depending upon how the banks adjust their positions, it seems likely that the total will show an increase for the quarter.

On the liability side of the balance sheet, demand deposits, according to the weekly Federal Reserve figures, are above three months ago.

The net result of the various factors should be a modest gain in the total of earning assets. Then, as interest rates have averaged higher, there should be a favorable increase in gross income.

Although operating expenses including salaries and wages have continued to move ahead, the gain for most institutions has been less than the gain in gross, so that pre-tax net income is higher.

Taxes, of course, are higher than a year ago. Also, it is difficult for those banks close to their excess profits tax liability to show a gain in net income. Nevertheless, operating results for the quarter should compare favorably with those of the first three months and be considerably above the level of the similar period of a year ago.

While the comparison between New York and Philadelphia banks may not be entirely valid because of the difference in operations, similar factors are influencing banking results in both cities. Therefore, it is interesting to note the operating statements of The Pennsylvania Company for Banking and Trusts for the six months ended May 31, 1952 and May 31, 1951, as it is believed to be indicative of the results to be expected among the New York institutions in their semi-annual reports.

	Six Months Ended May 31	
	1952	1951
Income:		
Interest on loans	$5,784,873	$4,929,865
Interest on investments	2,168,823	2,133,834
Other income	2,083,053	1,872,435
Gross income	$10,036,749	$8,936,134
Expenses:		
Salaries and wages	3,311,730	2,870,472
Materials and supplies	823,806	750,513
Other expenses	1,896,311	1,709,577
Total expenses	$6,031,847	$5,330,562
Operating income	$4,004,902	$3,605,572
Reserved for Federal income taxes	1,830,350	1,690,900
Net income	$2,174,552	$1,914,672

Representing Harris Trust

Harris Trust and Savings Bank announces that G. Philip Whitman is now associated with the firm as its New England representative.

Five With Clayton Secs.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Albert R. Babb, A. Clair Currey, Harold W. Joy, Charles R. McKenney, and Carroll H. Tyler have become associated with Clayton Securities Corporation of Boston. All have been with J. Arthur Warner & Co., Inc.

Continued from first page

Europe Turning Again To the Gold Standard

flage the basic disequilibrium between production and consumption in the subsidized economies. The prime symptom of the imbalance is the deterioration of the international accounts: in six postwar years, the outer world ran up a total deficit of nearly $35 billion against the U. S., and expects to run indefinitely a deficit of at least $3 billion per year. Disintegration of Europe's monetary standards is the counterpart of this process, the prime cause of capital flight and further deterioration.

The new approach consists in the serious attempt to stabilize the currencies. **Devaluation will not help any more, not even temporarily, unless it is combined with the definite restoration of convertibility.** Otherwise, devaluation merely speeds up the slow but irresistible run on the national currencies. Return to gold is the answer.

France Sets the Pace

France sets the pace this time. Of all Western European currencies (excepting the Finnish markkas) her franc is nearest the abyss—and inherently the strongest. In purchasing power it is down to less than 1/120th of its 1914 value; last year alone it depreciated by a round 20%. With the French budget in the red to the tune of $1 to $2 billion, and the government's gold reserve reduced to some $700 million, the franc has ceased to function as a store of value. How to restore confidence, is the question.

Right-of-center Premier Pinay has taken the monetary bull by its (golden) horns. He stopped the vicious practice of his predecessors: the recourse to the note-printing-press. Also, he continues the credit restrictions; imposes economies on the unwieldy system of nationalized industries; decimates the bureaucracy; improves tax collections; closes tax loopholes, and offers amnesty for previous tax deliquencies. But two things he does *not* do: no raising of interest rates, which are very high (bank loans cost 8%); and no new or higher taxes! And the *piece de resistance* of his stabilization attempt, which is happily supported by falling world market prices, is the issue of a huge loan with a gold escalator.

Pinay's gold loan is a 60-year issue at 3½% callable in 1960. The purchase price can be paid partly in outstanding 5% bonds, and the new issue can be used in payment of certain taxes. It is to be amortized by "lottery" at the annual rate of 1½%, and is entirely tax-exempt. But the novel and essential feature is that the creditor is guaranteed against further depreciation of the franc: the capital repayments (not the interest payments) will vary in franc amount as the franc's value varies in terms of gold. The *louis d'or* (20-franc piece of pre-1914 vintage), the French public's favorite gold coin, is chosen as the standard. Should it go up, the bondholder benefits accordingly, never getting less than the amount he has subscribed.

While gold bars are selling for the equivalent of about $39, and gold coins are slipping on the Paris market, the louis d'or is being kept steady at about 4,000 francs apiece (equivalent to $50 per ounce, a 46% premium over the American mint price) by the French Treasury's support manipulations. It supports that price in order to induce the public to disgorge gold. On the other hand, the risk the French government would run in case the "Napoleons" should rise a great deal, could be averted by coining gold (as has been done for a year past) and selling the coins on the open market.

The new loan goes well; since subscriptions opened on May 26, gold is coming out of "stockings"; Frenchmen are even liquidating holdings in Switzerland to invest the proceeds—bless the amnesty! Gold is flowing into the Banque de France coffers at the daily rate of millions of dollars. That goes to show how fundamental is the yearning of civilized men for a decent currency which offers protection for the rainy day and a reasonable return, too. And it goes to show how fortunate it is for a nation when people hold on to their gold. Had the French handed over their coins to their government as the British, Germans, Canadians and Americans did, that national reserve would have been dissipated long ago.

Success, even a partial one, of the gold-framed bonds will put France on her financial feet—for a while. This year's budgetary deficit will be covered, and No Money Printing! The proportion of short-term maturities in the total national debt will be reduced. The gold reserve ratio of the note circulation will be greatly boosted, for the first time in a long time, restoring confidence and reversing the run on the franc into a "run" on the private gold hoards—a most salutary development. If armaments are kept within reasonable bounds (i.e., if Taft is elected!) it should not be overly difficult to consolidated the French position. Pinay's popularity—he represents the typical "little" Frenchman—should permit him to trim the edges of the French Welfare State, especially those of the extravagant nationalized industries and social security services. He is the first French statesman who dares to make a frontal attack on the all-entrenched cartels.

Gold Standard Is Avowed Goal

The gold standard is the avowed goal. France is in an exceptionally favorable position to achieve it, provided the paper inflation is definitely stopped. She is virtually self-sufficient in food, rich in mineral resources, attracts an unparalleled volume of tourist traffic, etc. Her national debt has risen ten-fold since 1938, to over four *trillion* francs, but a twenty-fold price inflation has cut its burden in half. Besides the natural and human resources, her thrifty population owns some $4 billion in gold and $8 billion—both figures reasonable "guesstimates"—in foreign currencies, securities, properties, etc. The problem was to open up these private hoards and especially to stop their further growth.

The gold-escalator loan is a long step in the right direction—to mobilize the nation's hidden liquidity. The next monetary steps before final restoration of convertibility must be: the legalization of the gold clause in all contracts; and, presumably, the declaration that gold coins may be used as legal currency.

The parallel circulation of gold coins and paper money, both legal tender, has nothing to do with a Double Standard with fixed legal ratio between two metals. It is not subject to Gresham's law of "bad money drives out good money." It merely means that payments can be effectuated in the one medium *or* the other—according to the current market rate between them. It makes gold hoarding unnecessary, nay, wasteful, thereby providing a sound credit base and reestablishing national confidence. That is precisely what the French need: restoration of confidence in their own system. Nothing could be more instrumental toward that end than the step-by-step return to gold circulation and thereby to a *de facto* convertibility of the paper money. The final step is, of course, free redeemability of the paper money at a fixed gold price, stabilizing the exchange rates. That may follow as soon as the franc has found its "level" on the market place. In all likelihood, it would entail a measure of devaluation, such as from the official 350 francs to the current 400 francs or less per dollar, in order to avoid the severe strain on commodity prices which have been adjusted already to the lower franc value.

The Great Monetary Gamble

Such is the logical course of Pinay's monetary reform which would release France's economic and social energies—if all goes well. But he is only at the beginning. What is more, he is taking tremendous chances. What does it mean when a government puts its own obligations on a gold-escalator, when it accepts and enforces payments in paper currency — not at face value, but according to its fluctuating price in gold? This is a very serious move for a nation: to wash its hands of its money, as it were. It could be tantamount to abandoning the paper currency to its (then) irrevocable fate.

In all paper money experience, and in the personal experience of this writer with half-a-dozen paper inflations on the Continent, the monetary escalator is the beginning of the end either of the inflation—or of the paper money itself. In other words, if the experiment is not carried through by logical steps—if the inflation is not halted—if public confidence in the State's will and ability to "pull itself together" fails to rally —the escalator turns out to be the vehicle that carries the nation into runaway prices and financial collapse.

In short, this looks like another "turning point" in the tortuous history of the French franc. So far, there is no reason for pessimism. It would not be the first time that the "grande nation" raised itself by its own boot-straps. On its own, bear in mind: *Pinay did not ask for American subsidies to finance the franc stabilization!* (Nor was his hand guided by Washington's "experts" whose Keynesian faces must be reddened by the resurgence of Gold.) His commonsense strategy is based on the expectation that, in addition to the "repatriation" of French hoards held at home and abroad, foreign captial will flow in for purely commercial reasons. In fact, a gold-based French security at a good yield is the answer to the prayers of Swiss and Belgian capitalists seeking a safe and solid investment. In due course, U. S. and Canadian funds may join, too. France is the one country in Europe that is capable of reestablishing its independence—financial and otherwise.

Joins Smith, Moore Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Thomas D. Adams is now affiliated with Smith, Moore & Co., 509 Olive Street, members of the New York and Midwest Stock Exchanges.

With Hill Richards

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George R. Mecke is now with Hill Richards & Co., 621 South Spring Street, members of the Los Angeles and San Francisco Stock Exchanges.

Continued from page 4

A Foreign Policy for The Republican Party

would reduce our support for it to a reluctant minimum.

True, the United Nations, in seven years of life, has fallen short of its peace objectives. But the whole world has fallen short—and for reasons which are plain to all of us. Should we, then, surrender our objective? Of course, not. Peace is our objective. The United Nations is an instrument of peace. Our aim must be to make it continually more vital and effective.

There must be no wavering in our support for the North Atlantic alliance, which was founded within the limits of the Charter of the United Nations. Even those who blindly opposed it when it was launched will admit that it has stopped the spread of Communism in Europe and the Mediterranean. Our security agreements with other American countries and the peoples of Asia and the Pacific must be similarly supported.

Third, we must state our purposes in positive rather than in terms of negative containment. We cannot always be picking ourselves up off the floor. We must cease hand-to-mouth operations in foreign affairs. Only through positive pronouncement of our intentions in the international field can we ourselves be sure of our nation's aims.

A Program to Establish Our Peaceful Intentions

We must have the confidence and assurance of those who are well prepared spiritually and materially to pursue a decent policy to its ultimate end. Within such positive purposes, we should boldly announce that we will never lose interest in a people who want to be free—who live unwillingly behind the Iron Curtain. This means launching of a concerted political program that will establish our peaceful intent; encourage our allies; and assure all the world that as long as any nation is enslaved we shall never be indifferent to its people's lot.

Fourth, we must be strong! I look forward to the day when, from a position of unassailable decency, we will be able to present to the masters of the Kremlin a just and practical plan for freeing the world from the burden of armaments. If we are strong, they will probably see in such a proposal their own self-interest and will feel obliged to accept, even if grudgingly and slowly, a plan for peace and disarmament.

Kremlin Understands Language of Strength

We can speed that day only if we are strong. The language of strength is the only language which the men in the Kremlin understand.

We must have an unshakable spiritual strength. Let us constantly proclaim to all peoples our belief in God and our devotion to the ideals and causes that spring from such belief. For you and for me and for our children, the cause we support is that of freedom; the right of each of us to live and work and speak and worship according to the dictates of our conscience; to be equal, in the sight of God, with all others. That community of belief, of aspiration and or striving is, I deeply believe, our strongest bulwark and our best defense.

Along with spiritual strength, we must, at all costs, increase our power to produce what we need for ourselves and an additional margin for the support of our armed forces and for necessary military assistance to our allies. To retain our economic soundness, we must be ever watchful that we get the maximum return on every dollar spent for defense. A bankrupt America is a defenseless America.

Another necessary element in the position we must reach is military power. Manifestly, the United States cannot station its troops all over the world to protect every area in which we have a vital interest. The very essence of collective security is as rapidly as possible to lodge the responsibility for the defense of those areas upon their own populations. Moreover, the program of military development must never proceed at such pace as seriously to theaten our solvency and economic strength. If this should happen, we would have no security.

There is unity in the world of Communism—a singleness of intent based upon fear and terror—which is plain to all of us. Sometimes, in contrast, our own apparent disunities seem so insurmountable as to be the mark of a fatal weakness.

Finally, we must lead the free world — east and west — toward singleness of purpose that we ourselves must exemplify.

We need a broadly based, inspired leadership that will promote understanding of all these issues. More importantly, it must preach faith instead of cynicism; courage and confidence instead of defeatism; hope instead of despair; unity instead of pleading for special and selfish interest.

I know something about war: its strategy, its requirements, its tragic cost in blood and treasure, its horror and its criminal waste. Therefore, I shall not rest as long as I can contribute to the cause of peace.

The peace America seeks is not a matter of formula alone. It is a vital, living, driving force. It must be deeply felt and instinctively understood by the men who are in a position to lead us in the cause of peace. A plan for peace that is merely paper and words will destroy the confidence of our Allies and shatter the faith of our own people in the future of the United States.

Once we have achieved peace through strength, then we can offer a program for permanent peace to Russia and not be rebuffed; then we can move forward toward disarmament and the lifting of the uncertainties and the heavy burdens and the ending of the anxieties which war and the threat of war impose on us. That day will come if we work for it persistently and intelligently. When it does, then our sons can return to the tasks and achievements of peace. Then, all our people of every color, race and creed can be free to follow their opportunities for the full life to which the lowliest among us is entitled and to which every true American is dedicated.

My fellow Americans, this can be done. We can begin now to make sure that it is done. No other people can take the lead. Just as we are the ultimate Communist objective, so the ultimate answer lies with us. It lies with us through no deliberate choice of our own, but solely because here, in this land of ours, free men have built for freedom such strong support as the world has never seen before.

Faced with momentous issues, confronting great danger, it is not in our American character to surrender or to fail. We will not fail now.

Railroad Securities

Missouri Pacific

Missouri Pacific securities, and particularly the old stocks, have been fluctuating rapidly and widely in the past week or so. Followers of the situation profess to see little, or no, basic reason for these swings or for the strength displayed by the old common and preferred. The old preferred, which under the present plan is to receive a fractional share of new Class B common, moved into new high ground at 33¼ during the week but subsequently lost part of the gain in retreating below 30 by the close on Friday. The old common, which it is proposed to eliminate as valueless under the Interstate Commerce Commission and court approved plan, was reported as high as 7¾ in over-the-counter trading.

As there were no developments within the system itself to account for the spurt in speculative interest and no reorganization developments have transpired, it is generally considered in financial circles that the cause may have been the press publicity given to a memorandum by Mr. Justice Frankfurther in connection with the Supreme Court action in the case. The reorganization set up by the Interstate Commerce Commission has been upheld by the District Court and the Circuit Court of Appeals. Various interests not satisfied with their treatment under the plan went to the highest court. A short time ago the Supreme Court denied all petitions for writs of certiorari.

Under normal conditions the denials of the petitions would have ended the matter so far as the courts are concerned. In this particular instance, however, Mr. Justice Frankfurther for some reason or other, not readily discernible to the layman's eye, apparently felt called upon to elaborate on the court's action in a separate memorandum. In essence the memorandum was highly critical of the present reorganization plan, particularly in its elimination of the old common stock equity, and seems openly to invite further litigation.

In part the memorandum read: "The denial of these petitions for certiorari does not definitely close the door for relief to security holders who claim forfeiture of their rights. The current Interstate Commerce Commission plan for reorganization of the Missouri Pacific has not been consummated. It may never be consummated. If carried to the stage of confirmation by the lower courts, review may again be sought here, perhaps with the benefit of additional light." The memorandum further went on to comment on the fact that in setting up the various reorganization plans for the Missouri Pacific System the Commission's estimates of probable future earning power have consistently proven to be too low.

Apparently some speculative quarters believe that Mr. Justice Frankfurter's comments and criticism presage the scrapping of the present plan and the formulation of a more liberal one, giving some value to the old common. Railroad analysts, however, and particularly those who have followed reorganization proceedings closely, seriously question that the I.C.C. will be swayed by such non-professional opinion. The Commission has been given the responsibility to set up reorganization plans and provide capitalizations considered by it supportable under any future recession or depression cycles. To alter this formula and set up capitalizations based on the inflated war or semi-war economy of the past 10 years could hardly be considered to be in the public interest no matter how much it might please some individual interests.

What does not seem to occur to those who have been critical of the I.C.C. reorganization plan for Missouri Pacific is that intermediate and junior bondholders have gone years and years without any interest on their investments and that even the senior liens are still far behind in their payments. It is well established in law and in equity, and has often been upheld by the Supreme Court, that such unpaid interest ranks equally with bond principal in its claim against the trust estate. While this interest remains unpaid it is obviously impossible seriously to claim that there have been earnings available for the old stocks in recent years. Not even the most biased or enthusiastic security holder will claim that Missouri Pacific is in a position, or is apt to be in a position, to pay off these interest claims in cash. It should be realized, then, that this back interest must be provided for in new securities before the old stocks have any valid claim.

If new securities are to be issued for the defaulted interest in full and an equity is still to be found for the old common it would necessarily involve the setting up of a new capitalization considerably in excess of the one the system was unable to support in the first place. This would certainly not be consonant with sound financial usage and presumably would only constitute an open invitation to future trouble. On this basis the predominant feeling among railroad analysts is that no important liberalization of the Missouri Pacific reorganization plan is likely under existing legislation. It will indeed be unfortunate if a memorandum by a justice of the Supreme Court is the indirect cause of appreciable losses to purchasers of a stock that under the present I.C.C. plan has been found valueless.

John J. Hess Visiting On East Coast

John J. Hess, partner of Hess & McFaul, American Bank Building, Portland, Oregon, is attending the reunion of his class at Princeton. He will mix business with pleasure by calling on the dealers and brokers here (he is stopping at the Roosevelt Hotel), and will also stop over in Chicago on his return to Portland.

John J. Hess

Chicago Analysts to Hear

CHICAGO, Ill.—Harry J. Loynd, President of Parke, Davis & Company, will address the luncheon meeting of the Investment Analysts Club of Chicago, to be held June 26th, at 12:15 p.m., in the Georgian Room of Carson, Pirie, Scott & Company.

Annual election of officers will be held immediately after the luncheon.

Harold Scott Heads NY Fund Committee

Harold W. Scott, partner in Dean Witter & Co. and Chairman of the Exchanges Group of The Greater New York Fund drive, is heading a Committee composed of leaders in all branches of the exchanges field who are working to increase contributions to the Fund by firms in their respective areas.


Harold W. Scott

The Fund's 15th annual campaign, now reaching the wind-up stage, presents a combined appeal to business organizations and employee groups on behalf of 423 local voluntary hospitals and health and welfare agencies serving 3,000,000 New Yorkers annually in all boroughs.

Division Chairmen serving with Mr. Scott are:

Cotton and Commodity Exchange: Norman Sirota.

Curb Exchange: Vanderpoel Adriance, Adriance & Finn.

Investment Advisors: Laurence Johnson, Loomis, Sayles & Co., Inc.

Stock Exchange Floor Brokers: W. Wilson Holden, Corlies & Booker.

Stock Exchange Firms: W. F. VanDeventer, Laidlaw & Company.

Unlisted Brokers: John F. McLaughlin, McLaughlin, Reuss & Co.

With Investment Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John H. Fannin and Richard B. Noble have become affiliated with Investment Service Corporation, 444 Sherman Street.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Arthur E. Emunson, Gardner B. Miller, and George O. Nelson have joined the staff of Waddell & Reed, Inc., U. S. National Bank Building.

Edgar B. Grier

Edgar B. Grier, partner in Chas. W. Scranton & Co., New Haven, Conn., passed away on June 17.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The new Treasury flotation of $4,249,000,000 of 2⅜% bonds due June 15, 1958, has given new life to the Government bond market. Trading and activity has been stepped up, with buyers and sellers getting together on trades, because there are holders of the new bonds that want to take a quick profit, while on the other hand, the commercial banks are not averse to putting these bonds into their portfolios even at a modest premium. The so-called speculator or "free rider" is having something of a hey day, but this is not now because there have been many occasions in the past when this same thing has gone on. While this has resulted in a bit of a penalty as far as the ultimate owners of the new security is concerned there are features on the other end of the scale that do not make this entirely a one-sided picture.

To be sure, the center of activity in the Government market is the 2⅜s due June 15, 1958, but there has been some fairly good action in the newly eligible 2¼s of June 15, 1959/62 and the 2½s due 1962/67. The short-market has also been on the lively side with Treasury bills getting considerable attention.

Three Times Oversubscribed

The Treasury offering of $3,500,000,000 of 2⅜% bonds due June 15, 1958, was in such demand that investors subscribed for $11,695,000,000 of these securities or more than three times the amount originally offered for sale by the Government. The Treasury finally accepted subscriptions of $4,249,000,000, of which non-bank investors received $3,642,000,000 or more than the full amount that was first asked for by the Government. Commercial banks were allotted only the $100,000 promised in the offering, which was a disappointment, to say the least, as far as these institutions were concerned. In all the deposit banks were allowed to buy $507,000,000 compared with subscriptions of $7,953,000,000. Government agencies bought $100,000,000 and were allotted in full.

Commercial Banks Ultimate Owners

Despite the "free riding" which took place in the new offering, non-bank buyers were given full allotments as the Treasury had indicated when the financing was announced. This means that a very large amount of the bonds obtained by non-bank buyers will have to be digested sooner or later by the deposit banks. They have been the principal buyers of the new bonds thus far. How many of the new 2⅜s will finally find their way into the commercial banks is a matter of conjecture. However, it is believed in some quarters that at least $2,500,000,000 out of the $3,642,000,000 obtained by non-bank buyers will eventually come to rest in the portfolios of the deposit institutions.

Many of the speculative buyers have been sellers of the 2⅜s right from the start of trading in them, but there was a large amount of caution in the early trading because there was a considerable question as to whether the allotments would be 100% for non-bank buyers. However, after the announcement that full allotments were being made to non-bank buyers, the tempo of the activity increased, and the market broadened. Bonds came in for sale and commercial banks were ready with buy orders because they have a real interest in the new 2⅜s.

However, instead of getting the bond at 100 on an original subscription basis, the commercial banks are paying a premium to speculators and "free riders" of between ⅜s and ½ a point. This is not dissimilar to what happened during the financing of World War II. To the extent that the commercial banks take over the holdings of the not too long-owners of the 2⅜s, there will be a creation of deposits and purchasing power. This is just as inflationary as if the new bonds were obtained at the offering price of 100.

Compensating Factors to Banks

On the other hand, the commercial banks while somewhat disturbed by the fact that they received only $100,000 in the new 2⅜s and they had to pay a premium to get these bonds in volume, from the temporary holders, there are, however, some compensating features as far as the commercial banks are concerned. In the first place, many of these institutions made loans to customers which made it possible for them to enter subscriptions to the new bonds. Also, use of the Treasury tax and loan account gives the deposit institutions an advantage because as long as these deposits remain with the commercial banks, they will be able to employ these funds for income producing purposes. It is a well known fact that the commercial banks do not keep funds idle, and the earnings that are obtained from even short-term investments, gives them something that must be considered in the final accounting of affairs. To the extent that revenues are produced from the temporary use of funds that are left by the Treasury with the commercial banks, there is something that can be credited against the premium which these banks have to pay for the new 2⅜% bonds.

With the taking in of more than $4 billion of funds the Treasury has put itself in a position where future financing does not appear to be a point of concern for at least an interim period. When, as and if it is necessary to go into the market again, it seems as though the Treasury will make use of tax bills to raise the money that may be required to finance the deficit. This would appear to leave the intermediate and longer term market pretty much undisturbed as far as fund raising is concerned. This should not be unfavorable to these securities.

Joins Hutton Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Jeannette C. La Touf has joined the staff of E. F. Hutton & Company, 9500 Santa Monica Blvd. Miss La Touf was formerly with Shields & Company and Daniel Reeves & Co.

With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Edward Samuel Morse has become associated with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges. He was formerly with Fusz-Schmelzle & Co.

Continued from first page

Observations on Pension Funds

trepidation. While J. P. Morgan & Co. Incorporated and its predecessor partnerships have dealt in and with securities for many years —it is more than 90—it was not until 12 years ago when our bank was incorporated as a trust company that we were permitted to enter the trust field as such. In other words, so far as the trust business goes, strictly speaking, we are just about the baby of the banking family. This feeling of juniority is intensifed when I realize that I am a lawyer by profession and that my experiences, both in law and in banking, have not been particularly identified with either trusts or investments.

However, the field is one which recognizes no professional experts and in which everyone feels that he has brilliant and revolutionary ideas. Everyone knows, or has a view about, whether the stock market is going to go up or going to go down. My own view is that it will do both. I suggest to you that this is the safest answer that I have so far found to the question.

Seriously, it does strike me that the men who make trust investments their life-work seem to have little or nothing in common so far as education or specialized training is concerned. There is no standard of basic training necessary or, as far as I can see, particularly desirable. Business school graduates work hand in hand with history majors, who in their undergraduate days were more concerned with the price of Flemish wool in the year 1385 than they were with the contemporary price of American wool. No, I suggest that in this, as in so many other things, the best qualification for an investment expert is common sense. It doesn't hurt to spice this up a bit with a lot of hard work, a good deal of forward thinking, and with it all some of the characteristics of the Scotchman. I say some of the characteristics, and thus limit my statement about the Scotchman. As clever as the Scotchman is, it is better not to be too clever with trust funds.

Pension Funds

What I want to talk about today is primarily that new and spectacular trend in trust investments that is represented by such funds as have been and are being created in private industry to finance schemes of retirement, schemes to relieve sickness and disability, schemes for thrift, savings, profit-sharing, etc. The growth of trust funds for such purposes is the spectacular development in the trust field of our time, and this very likely will continue to be so for years to come. Commencing, say, about a decade ago, literally thousands of such plans have been created and their number is increasing rapidly. It is estimated that at present there are some 15,000 pension plans in operation, that perhaps as many as one-fourth of the industrial working forces of the nation are the beneficiaries of such plans, and that annual contributions to such plans are currently in excess of $2,000,000,000. There is no indication of a levelling off in this growing trend. In many of these plans—in fact a good percentage of them—banks and trust companies act as trustee and have full investment responsibility for the funds involved. This means business for the banks, but it also means enormous responsibility.

But even about such schemes and plans I shall not undertake to discuss procedures and techniques but shall try to point out some of the economic, social and financial implications thereof. They are important to us and to our fellow citizens. It is well now and then to step back a bit from some of the problems that concerns us day by day and try thus to get a better prospective of the longer range and broader aspects; and if we seek to do that here today, I hope that we may see more clearly a few, at any rate, of the changes that are going on around us in this field. We shall not all agree on the conclusions to be drawn, but at least we cannot fail to gain from a fresh look at the contemporary scene.

Are these benefit schemes bad or are they good? Are they a form of collectivism with all the ugly connotations of that word nowadays? Do they make obsolete, now and forever, good, old-fashioned self-reliance and hardihood? Do they, or will they, in time represent concentrations of financial and economic power too large for the general good? Do such groupings, privately arranged in our enterprise economy, sanction, and lead inevitably to, further governmental paternalism?

As for the implications toward collectivism in an ugly form arising from such schemes, I do not have much concern. They represent groupings, of course, but in our system of capitalism we have long had groupings and collective action in many forms. The corporation itself represents the pooling of individual capital life insurance and other forms of insurance are all predicated upon the sharing of risks and the protection which such sharing provides. America for a long time has been security-minded, but it is becoming more and more so. Some 30,000,000 persons in our country are today, for example, covered by group life insurance for a total of nearly $60,000,000,000 in the aggregate. And there are many other forms of aggregations of savings and capital. Banks themselves are in a way just another form of institutionalized savings. The point is that these institutionalized endeavors—yes, this form of collectivism—is not the kind that we abhor, for it is individually arranged and is the outgrowth of free and voluntary action by our people as individuals. Each of these many forms is worked out to fit its own last; each in its own fashion; each designed to serve its own purpose; each with the great American virtue of being different from the other. The strong hand of coercion is nowhere present.

Now let me say before I go very far with favorable comment upon the growth of welfare schemes in private enterprises, that I don't want to disturb you by conjuring up before your eyes the spectre of the welfare state or the fetish of security at public expense from cradle to grave. Neither do I mean for a moment to plead the cause of official paternalism. I am against all that sort of thing. All I hope to do is try to explain some of what seem to me to be the natural and logical developments, in our enterprise economy, of a measure of social consciousness that exceeds what we have probably known in the past. I don't profess to know all the answers and I shall not omit critical comments here and there, but as you will see, I do feel that in this field our business philosophy is undergoing changes that on the whole are for the good of us all, or may be so, if they are not carried too far and too fast.

The Background of Social Security

The background against which these changes are taking place has, of course, to be considered if we are to understand them. There was

a time, and not so long ago from the standpoint of our national history, when social programs and plans in such respects as pensions or old age annuities were almost unknown. Industrialism has changed a lot of that. We are no longer a people largely self-employed on farm or in shop, when the ambition of almost every boy was to be in business for himself and when the relief of those who became dependent in old age could be provided by family or local community efforts of religious organizations. Today even our most prominent business leaders are for the most part employees; and the vast majority of the rank and file of those engaged in industry feel a natural urge to achieve some sort of personal security against the unpredictable mishaps of life. Ideally, of course, individuals should plan their lives with these uncertainties in mind and so should accumulate savings against the inevitable rainy day. In that earlier and simpler period, however, this was easier to do than it is now. For heavy taxes, high prices and low interest rates in our own time make saving far more difficult. Another change that has taken place, over the past half century or more, is the remarkable increase in life expectancy of our people and the consequent rise in the number of mature and aged persons.

The widespread desire of businessmen, workers in industry, farmers and professional groups for some protection in old age or ill health or disability, not only for themselves but for their families, can and often is taken to be a departure from the sturdy self-reliance that was once typical of our people. There may be, indeed, a modicum of truth in this theory. The cult of security can easily be carried to the extreme of believing that the world owes one a living, particularly in an economic system of actual or potential abundance such as ours. There are, moreover, current among us today widespread illusions about the almost limitless potentialities of our wealth. Some go so far as to argue that although the national debt now stands at an astronomical height it does not matter because we merely owe it to ourselves. Others indulge themselves in the fancy that although our government spends huge sums of money year after year for military purposes, we can have guns and butter too. Many believe that we need never have depression again because the government can avert it by compensatory spending that will provide full employment at high wages for all. Nor can we ignore the trend among workers toward featherbedding practices, escalator wage clauses, shorter hours for more pay; among some businessmen toward so-called fair trade laws permitting maintenance of prices at fixed levels rather than as the result of competition; among farmers toward parity formulas for the same purpose; among industrialists toward customs tariff protection for their products; and so on. Yes, it is a natural urge for everyone to want protection against whatever it may be that threatens. We all may be a little guilty.

Can We Avoid the Welfare State?

Nevertheless, the real problem remains: i.e., how can we afford the overwhelming majority of decent, thrifty citizens as good a standard of living and as much protection against misfortune as our resources permit, without at the same time doing so at the cost of setting up a so-called welfare state, or of encouraging the built-in inflationary bias that characterizes our age, or of creating a too-rigid cost structure, or of transforming our still dynamic, flexible economy into one of static maturity, or of destroying that mobility of labor that enables us to meet such changes as may be required by new inventions and processes of manufacture. The last thing we ought to want is that share-the-work illusion so prevalent in some European countries.

Our best chance of answering the problem and of averting these deplorable consequences, or at least minimizing them, lies in our tradition of private rather than governmental initiative. That is why, in its growing tendency to create trust funds for employee protection, American business concerns of various kinds are acting not only in their own enlightened self-interest but in the interest of the economic system of which we are all but parts.

At the same time, as I indicated a few minutes ago, I would sound a warning that it would be well for us not to close our eyes to certain undesirable effects either inherent in or possibly arising out of these developments. I mention some of them merely in order to illustrate the relative prospects for good or ill. These vary, of course, both in degree and in scope and also in their impact upon changing conditions in the progress, or absence of it, of our economic activity as a whole.

Effects of Widespread Use of Pension Funds

From the purely economic point of view, the effects of more widespread use of pension and other employee benefit funds are likely to be favorable when the economy is expanding. These payments would enlarge the demand for consumer goods on the part of those no longer engaged in production and would lead to employment and accelerated promotion of younger employees. If, on the other hand, the number of persons receiving the payments grew more rapidly than the number of employed in a time when economic conditions were more or less stagnant, the payments would tend to stimulate demand for the volume of goods available and thus cause prices to rise. Under the latter set of circumstances, also, the burdens of financing the payments would be greater. They would fall unevenly on the companies involved, perhaps leaving some beneficiaries in a more favorable position than others. Too heavy pensions and other benefits, which enter into costs of production, may lead to the introduction of more labor-saving equipment on the part of companies that can afford or are otherwise in position to do this. This would tend to reduce employment.

Pensions are likely to decrease the mobility of labor and also to make it more difficult for workers to find new jobs after they have attained a certain age. They may, moreover, unduly increase the number of idle persons having passed retirement age although still able and willing to work. This might lead to discontent and unrest unless plans are made more flexible.

Retired, sick or disabled employees receiving benefits from trust funds have a vital interest in the maintenance of the purchasing power of the dollar. Since the government's fiscal and debt management policies have a dominant influence in this regard, they might if continued as now lead to lower standards of living for beneficiaries and thus, here again, to dissatisfaction and unrest.

I have spoken earlier also of the deterrent effect that some retirement and other benefit plans have on the mobility of labor. What I mean is that under such plans the employee cannot leave his job without surrendering his rights and that this tends to tie labor down to jobs that may not be so attractive in future as now or that may not be so economically productive as new jobs at other places of employment. In some plans, an effort to avoid this adverse effect has been made by provisions vesting the employee's rights so that he may change jobs without sacrifice in this regard. This seems a desirable feature, though it may not be applicable to all plans.

Financial Repercussions of Pension Funds

In finance, the manner in which trust funds are invested may have repercussions on the financial markets. Most funded plans now handled by companies or trustees are invested predominantly in fixed-interest-bearing securities with only relatively minor proportions in common stocks. When business is expanding, pension fund investments will provide needed capital; when business is slow, these investments may exert pressure on rates of interest and may also seek outlet in government securities to such an extent as to create the danger of more and excessive government spending—and easy financing of all kinds of governmental social schemes. While the yearly accretions to insured and trusteed pension plans are very substantial, they are not so high as has been feared by some who apprehend that they may have a badly upsetting effect on security markets. This is a phase about which we should know more as our experience grows.

No scheme of social and economic security can work successfully unless the demands of the actual and prospective beneficiaries are kept within reason and unless productivity is constantly increased. To the employer a cost is a cost whether it takes the form of a wage or a benefit payment; and the latter form of payment is in fact a more constant factor than the former because it becomes a fixed charge in the enterprise that has to be met in bad times as well as good. If employees continue to press for benefits in lieu of wage increases at times when these are not available, they may kill the goose that lays the golden egg. As to productivity, if it is not kept on the rise over the long run either employees must accept lower wages, or profits will be reduced to the point where growth will be retarded for lack of new capital, or the consumer must be asked to pay higher prices. Some plans have incorporated a profit-sharing feature in the attempt to assure continued productivity increases, with varying degrees of success. Yet production is the key to economic and social security; without it, no welfare scheme can succeed.

Summary

Very briefly and in general terms, I think I can summarize the whole problem and my thoughts on it somewhat as follows:

Our country is no longer what it was during the 19th century era of rugged individualism. We like sometimes to cast a backward nostalgic glance in that direction and to long for the return of the good old days—or at any rate some of their brighter moments. But those times have changed, never to return, no doubt. Two worldwide hot wars and the still continuing cold war have made that most unlikely; so has our position in the world today. In short, we cannot go back even if we would.

But all is not lost because of that, not by any means. American businessmen, though their methods and outlook may have changed over the years between, still pride themselves, more than on anything else, on their ingenuity to provide jobs for those who are willing to produce the goods and services that consumers are willing to buy at prices they are able to pay; and those same businessmen still cling to the competitive system that rewards most him who who does the best job of this kind. Businessmen may have wavered in these purposes and beliefs from time to time, discouraged over the frustrations of the long depression, and in more recent years the punitive taxes and the exorbitant demands from worker representatives, but I see no reason to believe that the enterprising spirit is gone.

Employees on their part, subject to more or less the same basic influences as businessmen themselves, have come to feel more and more strongly their claim to what they regard as a fair share of the products of our economy and a degree of security for themselves and their families. Farmers, too, want some assurance of a reasonable stability and fair return from their toil despite the ungovernable influences of natural catastrophes and vagaries of weather. As to both of these groups also, however, I find it hard to believe that they fail to realize the need for moderation and cooperation, though they may have tended too strongly toward government intervention in furtherance of their objectives.

Against this background, so briefly sketched, I incline to welcome the particular developments that I have talked to you about today. In other words, despite all of the dangers of over-reaching and over-emphasis that are involved, I believe that American business concerns are wise in adopting and expanding—within reason—the trust funds that provide some measure of reasonable security in answer to a perfectly natural human urge on the part of so many of our fellow-citizens today. I do not believe, however, that any organized group should misuse its bargaining power or its power at the polling booths to extort any undue concessions either from employers or from the public treasury.

If demands of this kind are kept within proper bounds, and, above all if productivity in the factory and on the farm is kept on the rise, so that we can pay for the better living that all desire, I believe then that trust funds set up by private enterprise rather than by government may well prove to be a stabilizing influence in our economy. As for us bankers, in so far as we have been entrusted with the responsibility of managing the investment of these funds, we should, of course, remain always aware of our duty to preserve the integrity of the funds as best we can and at the same time to obtain a reasonable return on the capital.

And now Mr. Chairman, may I say finally, in viewing this problem as well as the many others that today are before us bankers and all our fellow citizens, it is well to take a look at the whole scene in which our problems have their setting. The scene is our nation as a whole. While it may seem a little fuzzy around the edges and quite confused in the center, it is still the picture of a land of 150,000,000 strong, a land of enterprise—large and small—a land of opportunity where every boy born here can hope to be president, a land where we continue to regard our government as our servant, although perhaps not always a very good or efficient steward. Our country is still strong. Our productivity has continued to increase. We are competitive. We are energetic. We are free. We must go down the middle of the road, keeping out of the ruts on the right and away from the stagnant bogs on the left.

I have faith that we shall do this. I have faith that without resorting to the bureaucratic blight of state socialism we can shape our nation's destiny through our own system of private capitalism infused with a proper sense of social responsibility and high national devotion.

Cleveland Analysts Elect New Officers

CLEVELAND, Ohio — The Cleveland Society of Security Analysts held their annual meeting on Wednesday evening, June 11, 1952, at the University Club in Cleveland and elected the following officers for the year 1952-53:

David G. Watterson

President: David G. Watterson, Boyd & Company.

Vice-President: E. W. McNelly, Union Bank of Commerce.

Secretary-Treasurer: Gilbert H. Palmer, National City Bank of Cleveland.

Three new members were elected to the Executive Committee. They are:

Edward A. France, Jr., Standard & Poors Corporation; Harrison C. Frost, Hayden, Miller & Company; and Vincent S. Hart, Oberlin College.

The following members of the Executive Committee were re-elected for another term:

George W. Blauvelt, National City Bank of Cleveland; Paul J. Eakin, Hornblower & Weeks; L. M. Hostettler, Federal Reserve Bank of Cleveland; W. W. Horner, Cleveland Trust Company; E. W. McNelly, Union Bank of Commerce; Russell H. Metzner, Central National Bank of Cleveland; Paul A. Murphy, Oglebay-Norton & Co.; Frank A. Schoembs, H. C. Wainwright & Co.; and David G. Watterson, Boyd & Co.

The President appointed the following chairmen of the committees:

Program Committee:

Edward W. McNelly, Union Bank of Commerce.

Arrangements Committee:

Richard E. Mayne, Central National Bank of Cleveland.

Membership Committee:

G. P. Sawyer, The Cleveland Trust Company.

Publicity Committee:

Stanley M. Eilers, Hornblower & Weeks.

Education Committee:

John M. Marston, Ball, Burge & Kraus.

During the season just closed, the second year of existence, the Cleveland Society held 36 meetings compared with 26 meetings the preceding year. Total attendance exceeded 1,800 for the season.

Chas. Freeman Secs.

Charles Friedman is engaging in the securities business from offices at 32 Broadway, New York City, under the firm name of Charles Freeman Securities Co.

L. A. Frederick Opens

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Lloyd A. Frederick is engaging in a securities business from offices at 603 North Crescent Drive.

Daniel Reeves Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Leon C. McLaughlin is now with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

Coburn Middlebrook Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — James A. Lennon has rejoined the staff of Coburn & Middlebrook, Incorporated, 75 State Street. He has recently been with Formula Plan Investment Management Corp.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Paul B. Wallace is connected with Waddell & Reed, Inc.

Mutual Funds

By ROBERT R. RICH

Hugh W. Long Offers Dealers Extra Concession

Until Sept. 30, 1952, Hugh W. Long & Company is offering dealers an extra concession of 1% on sales of less than $25,000 on the shares of Diversified Investment Fund and Diversified Common Stock Fund. Dealers will qualify for this additional commission if their sales on the two funds aggregate $5,000 or more in a calendar month, with the exception of June, in which the "quota" is set at $2.500.

The schedule of extra concessions for this period, subject to the "quota" requirement is:

On Individual Sales In Bracket:	Regular Concession	Extra Concession For Period	Total Concession For Period
$ 100 - $ 24,999	3%	1%	7%
25,000 - 49,999	4¼	¾	5
50,000 - 99,999	3½	½	4
100,000 - 249,999	3	¼	3¼

Distributors Group Revives Interest in Tobacco Shares

Distributors Group, relating that it has detected a rekindled dealer interest in tobacco stocks, made a case this week for Tobacco Shares as a defensive investment device.

In the case for Tobacco Shares, Distributors Group stated that although the 1951 dividend is 26% higher than 1946 and although the market averages are well above the 1946 peak, tobacco stocks in this fund can be bought for 33% less than their 1946 highs and below their lows for 1949, when the last market advance began. The fund stated that the industry is known for its stability of earning power and dividends, first, because of the steady sales increase through good years and bad, second, because of the low labor costs derived from a high degree of mechanization and third, because of the industry's function as a tax collector, which it is claimed, gives the government a vested interest in this industry's welfare.

Analyzing the historical behavior of tobacco stocks, the fund noted that in the 1927-29 period, the marekt rose 70% while tobacco stocks increased only 1%, while in the period following, 1929-32, tobacco stocks, although they declined, behaved relatively so much better than the market that an investment in them would have been worth almost three times as much at the 1932 low as an equal amount invested in the stock averages in 1929.

Similarly, from December 1934 to April 1937, the market advanced over 70% while tobacco stocks declined 4%, only to behave considerably better during the subsequent general market decline.

Looking at the present situation, there has been since 1949 a general market advance of 70%, while tobacco stocks have declined 10%, and this is one reason why Distributors Group regards its Tobacco Shares now as an appropriate investment for investors who are seeking generous returns from high-grade common stocks or who wish to hedge against the possibility of a declining stock market.

At the present time, Group Securities' Fully Administered Fund has about 6% of its assets in tobacco stocks and its Common Stock Fund has about 9% of the portfolio holdings in this industry.

BRIEFLY:

Over one half of the present national income after taxes is available for "discretionary spending," "Advertising Age" reports in an exhaustive national marketing analysis. In 1940, only one-third of the American income was "discretionary." Discretionary spending power today, after basic living costs are met, is four-and-one-half times greater than prewar. **This spending power,** which is where the market for mutual funds shares lies, is $119.5 billion today compared with $26.5 billion in 1940. . . . **Population,** in the last 12 years has increased 19%, the study adds, while real purchasing power has increased 74% and personal income after taxes has increased 213%. . . . **Television-Electronics Fund** reports international television may be closer than previously realized with the results of recent experiments called, "An exciting discovery—a major step forward." . . . Brigadier General **David Sarnoff,** Chairman of the Board of RCA, remarks, "What was once **'electrified'** is on the way to being **'electronized,'** with new vistas to practically all other industries being opened by the electron." . . . Television-Electronics Fund's assets are now over $17 million compared with a beginning of $148,000 in September, 1948. . . . **Two new letters** for dealers were announced this week as Axe Securities published the first issue of its "Axioms" and as Hare's Ltd. starts its "Institutional Scope." . . . **Why Life's Never Perfect:** Newsmen who use the "hunt-and-peck" system on the typewriter, had a hard time writing their stories after "Ike's" party in Abilene. As Ray Erwin of "Editor & Publisher" relates the story, "Ike's" public relations men ran out of typewriters for the big press corps that turned up. To help matters, someone borrowed a few typewriters from the local high school. When the typewriters were delivered, reporters stared helplessly at the blank keyboards. It seems that students learn how to type by using typewriter keys without the identifying letters. Quite a few reporters learned how to type that way, too—in Abilene.

Mutual Fund Notes

THE SECOND anniversary of the start of the Korean War finds commodity prices only about 10% above the levels prevailing in June, 1950, says Calvin Bullock, in its study of commodity prices.

"In this two-year period of 'hot' and 'cold' war," the study says, "raw material prices have been riding an economic roller coaster." The ascending phase carried the U.S.B.L.S. Index of 28 raw materials to an all-time peak of 390.8 by February, 1951. The subsequent declines in raw material prices have since brought the Index down to 293.7 by June 4, 1952, a net change of 11.1%.

The Bullock study expresses surprise that in the current wave of deflation the "all commodity" index at the wholesale level has fallen only about one-sixth as much as raw materials.

Retail prices, the analysis comments, as measured by the Consumer's Price Index (1935-39 = 100) have shown an even more amazing imperviousness to the 1951-52 deflation of raw material prices. This index which stood at 183.8 in February, 1951, increased to 189.6 by April, 1952, a net change of +3.1%.

A deep seated and basic reason for these price abnormalities was said to be "the increasing artificial interferences which have been brought to bear on the normal functioning of free prices in recent years. These have made for rigidities, inconsistencies and abnormalities in the body economic.

"The spread of price regulation to practically every area of the economy appears to be an inevitable manifestation of the steady growth of big government. The theory that determination of price levels is a proper function of government received tremendous forward impetus as far back as the enactment of National Recovery Administration legislation in 1933. It has developed significant variants in such legislation as the Robinson-Patman Act of 1936, the so-called 'fair trade' laws enacted by various states, wartime OPA, and postwar OPS. The chairman of the board of a leading oil company recently summed up the Pilgrim's Progress of price legislation when he said: 'What started off 20 years ago as an emergency has become an era.'

"The analysis of commodity price behavior has become essentially the study of price control rules and regulations, and price forecasts are of doubtful validity unless the prognosticator is well versed in governmental plans and policies for prices. It seems hard to believe that it was only 24 years ago when President Calvin Coolidge said, in vetoing the McNary Haugen farm bill: 'Governmental price fixing, once started, has alike no justice and no end. It is an economic folly from which this country has every right to be spared'."

RETAIL PRICES of consumers' goods and services in New York City declined 0.2% from mid-April to mid-May, according to the Bureau of Labor Statistics. The New York index is now 183.2% of the 1935-39 average, 1% higher than a year ago and 9.7% higher than the pre-Korean level.

Meanwhile in other Middle Atlantic cities, moderate month to month cost of living increases were observed. For example, in both Philadelphia and Pittsburgh, the Consumers' Price Index rose fractions of a per cent, with increases in food prices more than offsetting declines in most other major groups of consumers' expenditures.

INVESTMENT MANAGERS believe they qualify for inclusion in professional ranks such as medicine and law, said Edward C. Johnson, President of Fidelity

Management and Research Company, of Boston, in the "Your Money at Work" broadcast Sunday. Management's purpose, he said, is to select a group of preferred risks, so that the average result of diversification will be the average of a selected group of securities aimed at a desired objective. The broadcast was the 13th in a series sponsored by Kidder, Peabody and Company.

OPEN-END REPORTS

CLIMAXING TWELVE YEARS of consistent growth, National Securities Series assets on June 19, exceeded $100 million, according to a report by Mr. Henry J. Simonson, Jr., President of National Securities & Research Corporation.

Below is a table showing the growth of trust net assets over the past 12 years:

Fiscal Years Ended April 30	Trust Net Assets
1941	$1,078,600
1942	2,599,555
1943	5,012,897
1944	9,802,026
1945	23,638,455
1946	42,839,056
1947	40,486,579
1948	48,087,102
1949	43,877,947
1950	62,657,381
1951	83,080,412
1952	93,793,058

"The growth of National Securities Series," said Simonson, "reflects the ever increasing public acceptance of mutual investment funds as desirable investment media. The mutual fund industry has a great future and today stands at the threshold of its greatest growth."

AMERICAN BUSINESS Shares in its report for the six months ended May 31, 1952 reveals assets of $38,517,026, or $3.98 per share, compared with $35,411,499, or $3.88 per share, on Nov. 30, 1951.

Net profits realized from the sale of securities during the period were $969,846. Diversification of investments shows that the percentage in cash and bonds increased during the period from 48.4% to 52.3%, while the percentage in common stocks decreased from 51.6% to 47.7%.

The more important changes in the industry diversification of common stock investments were increased in holdings of electric light and power and tobacco stocks and a decrease in holdings of oil stocks.

GAS INDUSTRIES Fund's total net assets recently crossed the $20 million mark, compared with $6 million when the Fund started less than three years ago. The Fund now has over 982,000 shares outstanding in the hands of about 7,000 stockholders, up from 400,000 shares owned by 1,600 shareholders in August, 1949.

Net asset value has increased from $15.03 in July, 1949, to a current $20.75. During this interval the Fund has paid two realized net gain distributions totaling $1.35 per share and 11 consecutive quarterly dividends totaling $1.50 per share.

NET ASSETS of Growth Industry Shares were $2,654,000 on March 31, compared with $2,547,000 on Dec. 31 and $1,918,000 at the end of March, 1951. When the company began operations a little more than six years ago, its assets totaled $500,000.

Net asset value per share on March 31 was $27.95, compared with $27.86 on Dec. 31, $25.14 a year ago, and $20 at the beginning of operations on March 20, 1946. Over the six-year life of the fund its per-share value has increased 39.7%.

PERSONAL PROGRESS

J. W. CALLENDER, who has been a home office staff executive with Investors Diversified Services for several years, was appointed assistant to the President in charge of customer relations, E. E. Crabb, Chairman and President, announced.

EDWARD P. BROOKS, Dean of the School of Industrial Management at Massachusetts Institute of Technology, was elected a director of Gas Industries Fund at the annual meeting of stockholders on June 19.

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Dealer-Broker Investment Recommendations & Literature

Kaiser Steel—Memorandum—Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Kewanee Oil Company—Study—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Kingwood Oil Company—Dètailed report—Dallas Rupe & Son, Kirby Building, Dallas 1, Tex.

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Newport Steel Corporation — Bulletin — Gartley & Associates, Inc., 68 William Street, New York 5, N. Y.

Penn Dixie Cement Corporation—Bulletin—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Riverside Cement Co.—Analysis and review of the Cement Industry—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Rockwell Manufacturing Company—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif. Also available are analyses of **Telecomputing Corporation** and **Time, Inc.**

Sinclair Oil—Bulletin—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

Sterling Finance Corporation—Bulletin—Walt Clyde, 144 East 24th Street, New York 10, N. Y.

Stylon Corporation—Analysis—White & Company, Mississippi Valley Trust Building, St. Louis, Mo.

Trane Company—Brochure—Smith, Barney & Co., 14 Wall St., New York 5, N. Y. Also available is a report on the **A. E. Staley Manufacturing Company**, and memoranda on **Deep Rock Oil Corp., General Crude Oil Corp.** and **International Minerals & Chemical Corp.**

U. S. Lines—Bulletin—Herzfield & Stern, 30 Broad Street, New York 4, N. Y.

United States Radium Corporation—Bulletin—Sheridan Bogan Paul & Co., Inc., 1528 Walnut Street, Philadelphia 2, Pa.

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Price Control and Inflation

was an ad from one of the large grocery chains stating "Over 1,000 items . . . Are Priced Lower Than OPS Ceilings!"

We checked the ad for accuracy. We found that actually only 353 items advertised were priced below OPS ceilings. Of these, 102 sold at ceilings when purchased in single units. Prices lower than OPS ceilings were obtained only when the item was bought in multiple units. For example, an item on which the ceiling was 13 cents was offered for sale at two for 25 cents. Another with a ceiling of 7 cents was offered for sale at three for 20 cents.

Then we checked the list to see how the items on which OPS had recently granted increases in ceiling prices were selling. There were 81 of them advertised. Thirty-seven of these items had to be bought in multiple units of from two to a dozen in order for the buyer to purchase them at less than the new ceiling price. And even then, only a fraction of a cent was saved. In other words, the new *selling* price, while slightly lower than the new *ceiling* price, actually exceeded the former *ceiling* price. We found that 44 items were selling at one cent per unit less than the new ceiling, but again at a higher *selling* price than the former *ceiling*.

I'm afraid that the myth of "soft" prices has been repeated so often that many responsible businessmen have been deceived by it. Despite wide belief that the nation is in a period of "soft" prices, with most items selling well below their ceiling levels, actually, most items that make up the cost of living are selling right up close to their 1951-52 high peaks.

A survey conducted recently by the Bureau of Labor Statistics showed that items making up 50% of consumer expenditures on the Consumer Index list were selling at two-year peaks; another 21% at within 2% of these peaks, and only 10% were far enough below the 1951-52 highs to be considered significantly "soft."

Among items selling at or very near record two-year highs were: bread, baby food, milk and many other foods; suits and hats and other items of apparel; automobiles and automobile repairs and insurance; rents, beer, beauty and barber shop services. Rents, subject to only limited control in certain areas, were up 0.2% from March 15 to April 15, and are up 7.5% since Korea.

The Earnings Standard

We are faced with additional price increases that by law we cannot avert. The law and OPS policy dictate that no ceilings shall be set that are not fair to the businessman affected. As I said before, OPS policy is laid down in what we call the "Industry Earnings Standard." Under this standard, OPS is required to permit higher ceilings for an industry when the industry is earning less than a fair return of its investment. This "fair" return is measured roughly under the formula Congress adopted to apply the excess profits tax.

The Industry Earnings Standard has forced OPS to grant ceiling increases on such important items as wholesale and retail groceries, beer at wholesale, waxed paper, lead storage batteries, glass containers, certain bakery products and zinc die castings.

A great many more industries have applied for such increases, and surveys are underway or planned to consider their merits. Among them are milk, meat, machinery, steel, petroleum and cement. Does this indicate that prices are "soft," or would decline if controls are lifted?

Wholesale prices, another market which indicates some "softness," have now started to firm up. Average wholesale prices, which have declined rather steadily during 1951, have turned upwards again in recent weeks. The BLS weekly Wholesale Price Index for all commodities advanced 0.4% in the week ended May 20 and 0.1% the week before that. As of May 21, the BLS spot market index of sensitive prices was 1.3% above the 1951-52 low point reached a month earlier, and the food component of that index was up 4.1% from its 1951-52 low.

There is no indication of softness in the prices which make up industry's costs of production, or which the government must pay in its vast defense armament program. Prices are generally right against the ceilings on petroleum and chemicals, metals, building materials, automobiles and trucks, machinery and many other commodities.

The government has recently been forced to permit importers to pay a higher price for Chilean copper. Canadian producers have announced their intention to raise the price of newsprint $10 a ton.

Limitations of OPS

Another real threat to price stabilization exists in those areas in which we do not have the authority to regulate prices. Here are some examples of the dangers which exist in those segments of our economy not regulated by OPS. We cannot effectively stabilize the prices in the foreign markets of such things as wool, copper, rubber, tin, and many strategic materials. Since there are no ceilings on these items in the foreign countries where they are produced, these imports affect our domestic prices.

Freight rates have recently been permitted to increase again, bringing the total increase since January 1951 to 16%. This added cost must, in many instances, be passed on in higher ceiling prices to avoid an unfair cost-price squeeze. Retail coal dealers, for example, were recently granted a 6% increase to offset higher freights.

Certain items, such as real estate transactions, utility rates, barber and beauty shop services are exempt by law from direct price controls.

An action is pending in Congress to remove ceilings on fresh fruits and vegetables, yet market prices for many of these items have been at record highs during the year. Because of legal exemptions, we have no control over the price of professional and medical services, domestic services, commuter fares, automobile insurance, and many other things which materially affect the cost of living.

Does this sound like the threat of inflation is over? Make no mistake of it, there is still a real need for price control.

The American business press is the best informed, most alert group of its kind in the world. Business publications in this country far outstrip the business publications of any other nation—in circulation, in editorial content, and in the number of industries covered. These publications are widely respected by the millions of readers in the various industries they serve.

American business has prospered, and no small part of that prosperity has been due to the excellent job which has been done by our business publications to make the American businessman the best informed in the world. The thousands of businessmen who take part in our OPS Industry Advisory Committee meetings will attest this fact. The informative articles and editorials on price control which you have carried in your publications have been referred to many times in our meetings with industry. American businessmen respect your judgment and will continue to look to you for information and guidance.

You can make a real contribution to the future of America by repeatedly stressing the simple economic fact that only a few people reap profits from inflation. The businessman, the laborer, the farmer, and the buyer all have a stake in our economic life. Inflation will hurt them all.

Some of our businessmen yet fail realize that inflation decreases production and lowers the standard of living. They are not aware that inflation causes the standard operation yardstick to be mislaid, and permits waste and inefficiency to take over.

We want the American businessman to believe that we are all in this fight together. The Office of Price Stabilization was created to aid and help business— not to hurt, impede or strangle it. We believe that the business community is a vital part of our economic future. OPS is mindful of its dual role in promoting the welfare of business and consumers.

It is not the intent of OPS to take any action, which, in the long run, would be destructive of business. We make no attempt to stand in the light of business progress. We will continue to concentrate our efforts in carrying out the will of Congress to promote and preserve American business.

The price stabilization program is dedicated to preserving our American way of life—our system of free enterprise. We want the businessmen of our country to realize this and to look to us as friends.

Israel & Co. Offers Sooner State Oil Stk.

Israel & Co. are offering publicly "as a speculation" an issue of 300,000 shares of common stock (par 10 cents) of Sooner State Oil Co., Inc., at $1 per share.

The net proceeds are intended to be used to pay cost of drilling a test well in the Chandler area in Lincoln County, Okla., to equip test well and for working capital. The corporation was organized May 29, 1952 in Delaware.

With Waddell & Reed

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Charles H. Gurney is with Waddell & Reed, Inc., 8943 Wilshire Blvd.

With C. W. Leonard

(Special to The Financial Chronicle)

PORTLAND, Maine — Clayton H. Hamilton has joined the staff of C. W. Leonard & Co., Masonic Building.

White, Weld Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — George H. Whitney, Jr. has been added to the staff of White, Weld & Co., 111 Devonshire Street.

Joins Smith, Barney

(Special to The Financial Chronicle)

BOSTON, Mass. — Thomas L. Regan, Jr. has joined the staff of Smith, Barney & Co., 75 Federal Street.

Joins Straus, Blosser

(Special to The Financial Chronicle)

DETROIT, Mich.—Irwin Shapiro has become associated with Straus, Blosser & McDowell, Bankers Equitable Building.

Public Utility Securities

By OWEN ELY

Northern States Power Company

The company, which is the largest in the West Central area, has system revenues of about $89 million, of which some $14 million is contributed by Northern States Power of Wisconsin and other subsidiary companies. The system serves electricity at retail in 478 communities, including the "Twin Cities," St. Paul and Minneapolis; and at wholesale, directly or indirectly, in 73 communities. Of the communities served, 372 are in Minnesota, 114 in Wisconsin, 21 in North Dakota, and 44 in South Dakota.

The major part of the territory is served by an interconnected system extending through west central Wisconsin and central and southern Minnesota, into southeastern South Dakota. The remaining territory (with revenues of less than $5 million) is served by two separate systems. The total population in the area is estimated at 1,835,000.

About 88% of system revenues are electric, 9% gas and 3% miscellaneous. The system furnishes natural gas (purchased under long-term contracts from Northern Natural Gas Co.) at retail in St. Paul and seven other communities in Minnesota. The principal business activities in the territory are farming (including dairying), milling, meat packing, and manufacturing, which is very well diversified, mainly in the light industry field.

Including subsidiaries and after adjustment for the recent issuance of $21.5 million first mortgage bonds due 1982 and 1,109,000 shares of common stock, capitalization is approximately as follows:

	Millions	Percent
Long-Term Debt	$154	49%
Preferred Stock	65	21
Common Stock Equity	95*	30
	$314	100%

*12,199,000 shares, plus intangibles estimated at $10 million.

The construction program is expected to be approximately as follows:

1952	$35,000,000
1953	29,000,000
1954	30,000,000
1955	24,000,000
1956	25,000,000
	$143,000,000

It is estimated that, in addition to the recent $33 million issues, about $50 million financing may be necessary during 1953-56; however, the company will resort to bank loans next year, and also in 1955, its policy being to do public financing in alternate years.

The earnings and dividend record on the common stock have been as follows in recent years:

Year	Consolidated Share Earnings	Dividends
1951	$.85	$.70
1950	.93	.70
1949	1.03	.70
1948	.91	.66
1947	.91	.59

In January the company announced increases in certain electric rates which it was estimated would yield $2.3 million additional net income, after income taxes at present rates. This amount would be equivalent to about 19c a share on the number of shares to be outstanding after recent financing. Adjusted to a pro forma basis, to include effects of the rate increase together with the current increase in the number of shares, 1951 earnings would have approximated 95c a share. On this basis, the current dividend payout would be about 74% and the price-earnings ratio 11.8 times.

President Braheney has estimated that in the calendar year 1952 earnings might approximate 95c-$1 on the increased number of common shares.

Northern States Power is currently selling around 11¼, the range this year being 11⅞-10⅝. Based on the 70c dividend, the yield is about 6.4%.

Dillon, Read Group Offers Texas Eastern Tr. 4.75% Pfd. Stk.

Dillon, Read & Co. Inc., heads an investment banking group which is offering to the public today (June 26) a new issue of 210,000 shares of 4.75% convertible preferred stock, $100 par, of Texas Eastern Transmission Corp. The stock is priced at $100 per share, plus accrued dividends. The new preferred is convertible prior to June 1, 1962 into common stock at a price of $21 per share and ranks equally with the presently outstanding convertible preferred stock.

Texas Eastern will use the proceeds from the new preferred stock to repay $8,500,000 of currently outstanding bank notes and, together with other funds, in connection with the company's several expansion projects which include: construction of a new 30-inch pipeline from Kosiusko, Miss., to Connellsville, Pa.; development of large underground gas storage facilities in Western Pennsylvania; and a program to increase its supplies of gas in the Texas Gulf Coast area. Current schedules provide for placing the Mississippi-Pennsylvania pipeline in service early in the third quarter of 1952. Additional investment by the parent company in Texas Eastern Production Corp., a wholly owned subsidiary, is also contemplated.

Texas Eastern owns and operates a pipeline system extending from the Texas Gulf Coast area to New Jersey for the transmission and sale at wholesale of natural gas, supplying customers in Louisiana, Missouri, Illinois, Indiana, Ohio, West Virginia, Pennsylvania, New Jersey, and New York. When facilities nearing completion are brought to planned capacity, the company's natural gas deliveries will be increased to more than 1.2 billion cubic feet per day.

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Progress in Asia

ice; we expect this loan to have quick results in terms of quickening trade, lowering costs and bringing down prices of goods that move by rail.

Need for Electric Power

A third basic need in the country is for power, as an aid to irrigation, and even more as a requisite to the development of manufactures from local raw materials, in such fields as sugar refining, the making of cement and of cotton textiles. In West Pakistan, there is a great hydroelectric potential running into some millions of kilowatts. Up until recently, it had hardly been touched, but the Pakistani have now begun to exploit it. At their one existing hydro station, in the North West Frontier Province, they have now doubled capacity to 20,000 kilowatts. Other plants in the area which are being completed this year and next will triple this figure; and that figure, in turn, will eventually be quadrupled by the completion of projects now under study. In the meantime, however, the country's needs are so pressing that some demands will have to be met by the construction of thermal power plants.

The Bank believes that power development is a high priority need, and we hope to be able to agree with the Pakistani to finance specific projects for power development before the end of this year. We are also interested in giving such direct help as we can to the direct development of industry. The one thing we have in mind so far is a possible loan for paper manufacture in East Pakistan which will save the country some of the foreign exchange she now spends on this commodity.

In India, there is a Five-Year Plan for Development. It places the greatest emphasis on increased production of food, to keep pace with a population growing at the rate of 4 to 5 million souls a year, and to meet deficits which last year ran as high as 4½ million tons of grain. Her intent is ultimately to bring under irrigation some 25,000 square miles of land —an area equal to Vermont, New Hampshire and Connecticut combined.

In addition, she has under way what is the largest land reclamation project in the world. It lies in central India, in the Province of Bhopal. Throughout this Province, there is good land. But much of this land—literally millions of acres—is infested with a stubborn and deep-rooted weed called Kans grass. The Kans roots penetrate far into the ground, and grow as thick as your wrist. Where the Kans grows, the cultivator at best can raise only poor crops, or none at all.

You can clear the land of Kans, but it takes modern equipment. The Bank has lent India $8.5 million to buy more than 200 heavy tractors to pull the great plows that dig up the Kans and leave the roots to die in the sun. These tractors are now at work throughout Bhopal. They have cleared some 500,000 acres by now, and when the project is finished, the total land cleared and put back into the production of wheat and food crops will amount to something like 2½ million acres. As in the case of Pakistan's Thal project, here again is a tangible addition to production, and one, again, for which we can provide some kind of a money measure: in a good year, this land should be able to grow a million tons of wheat; worth, at current prices, more than $90 million.

India Needs Better Transport

India still has urgent demands for better transport, but she and the Bank already have moved to meet the most pressing need in this field. India has the largest rail system in Asia; during and after the war it was given hard use and little maintenance. In 1949, we made a loan of more than $30 million for the import of 450 railway locomotives, as a supplement to much larger purchases being made by the Indian Government out of its own resources. In a few months, this equipment made it possible for the Indian railways to reduce or eliminate delays in the movement of essential freight. The improvement of service removed a handicap to the expansion of India's mining and industrial capacity, and permitted such important commodities as manganese and iron, coal and coke, copper and pig iron, to move freely in India's internal and export trade. Better freight service has been an important factor in increasing industrial and mineral production, which has moved encouragingly ahead particularly in the past year. Still further improvement can be accomplished by the addition to the rail system of new freight cars; the Indian Government expects to make such an addition, and to be able to finance this out of its own resources of sterling.

Electric power is a third major theme of Indian development. The country already gets a fifth of its income from industry; and she has substantial resources of coal, iron and minerals. Industrial growth and the exploitation of these resources already are straining against limitations imposed by lack of electricity. India hopes in the next four years to add something more than a million kilowatts to her existing capacity.

In her planning, power is often associated with multi-purpose projects which include irrigation, flood control and land development as well. One of the leading examples is the development now going ahead in the Damodar Valley. This is a fascinating region, about as big and as populous as the State of Massachusetts. You can shoot leopards there, and you can see tribesmen who still hunt game with bow and arrow. Yet the area is the scene of India's greatest industrial activity, where she mines most of her coal and produces more than a million tons of steel a year. In the area, the Indian Government is constructing irrigation works and power stations on the TVA model. The Bank is helping to finance the construction of a 150,000-kilowatt thermal station at a place called Bokaro, and Bank-financed equipment is working at Konar, a few miles away, on a dam which will store water for irrigation and hydroelectric power.

We have told the Indian Government that we would be interested in helping the further development of power in this industrial valley. Currently, we have a representative in India to carry out an investigation and make a report on whether there is some basis on which we can help finance a badly-needed expansion of pig iron production. And one of the principal officers of the Bank has just returned from a visit whose purpose was to lay the groundwork for a loan to a privately owned industrial finance corporation which could re-lend the proceeds to small and medium-sized industries throughout India.

I see that my time is running short, but I still want to tell you a little about Ceylon. This is a stunningly green and beautiful island country. Pakistan's population is 75 million; India's, 360 million, but Ceylon's is only eight million. She has the highest per capita income in the area, about $100 a head. Her trade balance, fortified by exports of tea, copra and rubber, has been good; she has been one of the few net dollar earners among the independent countries of the sterling area.

Ceylon Developments

Like her neighbors, Ceylon has her land schemes, her power developments and her problems, too. Most of her population is crowded onto something less than half of the island. Land holdings are too small to be farmed efficiently, and she has a deficit in domestic food production. Her rate of population increase—approaching 3% a year —is one of the highest in the world.

Despite the bustle of activity going on in Ceylon, she still needs a well-integrated program for developing the resources she has. At the request of the Government, the Bank sent a survey mission to Ceylon last year to canvass her resources and make recommendations about development. The mission's report is nearly ready for formal presentation and out of it, I hope, will grow a realistic and well-balanced investment program. The prospects, I think, are fundamentally good. Modern science, for instance, has eliminated the malarial mosquito which previously made it impossible to populate and efficiently cultivate most of the eastern and northern side of the island; and here is a whole new frontier for the Ceylonese to explore.

Ceylon also offers perhaps the most striking example of what is true throughout the area — that great gains can be made not only through capital investment, but by basically simple improvements in methods of production. Such improvements, because they run against established habit, may be slow in coming, but they promise much. In Ceylon, for instance, the adoption of methods of planting and transplanting such as already are practiced in Malaya and Thailand could double the production of rice.

The question of technique in industry is also vitally important throughout the area. The development of suitable products from present resources, the evolution of management and marketing techniques, could provide a great stimulus to industrial growth. Some work already is being done on this front. The Bank would be glad to see more, and has expressed an interest in helping to establish a technical research institute as a kind of pilot project in this part of the world.

A Bit of Perspective

In sum, let me say that South Asia is a region where a great deal is going on, and most of it for the good. But now let me add a bit of perspective.

For the time being, all the ventures, great and small, being carried out in this area will make little difference in standards of living. For instance, Ceylon's biggest land development scheme will take care of only a tenth of the population increase she can expect by the time it is finished.

All these countries must work hard, certainly for the next five years and probably longer, to make what will be small gains. This will be a crucial period. If all goes reasonably well, the basis will be laid for some acceleration in economic growth. But even after that there will be much work to do, and the whole problem is one that must be measured not in years but in decades.

At the beginning, outside capital can be used only in relatively small amounts, because these economies are not sufficiently developed to absorb amounts of in-

vestment on a scale which we would consider large. For the present, it is millions and not billions of dollars that can be usefully employed. Yet this kind of capital, in the crucial period, will itself be crucial; it will have to provide some of the critical margins between failure and success.

I think the penalties we and the Asiatics would pay for failure would be very great, and I think I need only mention again the case of China to explain why I think so. On the other hand, success is certainly not beyond our grasp. Large as the problems are, they are not any bigger than the resources that we and the Asiatics can reasonably devote to overcoming them. There is a good future to be built in South Asia, and the Asiatics have a world to win there. I think we can help them build that future, and I think we can help them win that world.

W. Va. Production Stk. Offering Underwritten

West Virginia Production Co., wholly-owned subsidiary of West Virginia Water Service Co., is offering for subscription at $2 a share, 300,000 shares of cumulative preferred stock. The stock has a par value of $1 a share, is entitled to annual dividends of 10 cents a share when and as declared, and is convertible into common stock after Dec. 1, 1955. Of the 300,000 shares, 289,394 shares will be sold under rights which West Virginia Production Co. is issuing to or for the account of holders of West Virginia Water Service Co. $5 preferred stock and common stock of record June 25. The balance of 10,606 shares is being sold to underwriters who also have agreed to purchase any shares not subscribed for by stockholders of West Virginia Water Service Co. Warrants evidencing the rights will expire at 3 p.m. (EDT), on July 10, 1952. Allen & Co. and Shea & Co., Inc. are the joint underwriters.

Holders of the parent company's common stock will receive one right for each share held; holders of $5 preferred stock (convertible into six shares of common stock) will receive six rights for each share held; and holders of $5 preferred stock (convertible into 5½ shares of common stock) will receive 5½ rights for each share held.

West Virginia Production Co. and its predecessors have been engaged since 1931 in the production and sale at wholesale of natural gas. It owns oil and gas leases in Gilmer County, W. Va., on which are 16 producing gas wells, and recently acquired oil and gas leases on 28,000 acres in Nicholas County, W. Va. The company plans, upon completion of the current financing, to begin drilling operations and to pursue an active program of exploration for natural gas on the new acreage. The entire present output of West Virginia Production Co. is sold under long-term contracts to Hope Natural Gas Co. which has informed the company that it will enter into a contract to purchase up to 3,000,000 cubic feet of gas per day from the Nicholas County acerage.

Net proceeds from the sale of the preferred stock will be used for the payment of rentals on leased acreage, for the drilling of wells, and, if desirable, for acquiring additional acreage.

The preferred stock is convertible into common stock after Dec. 31, 1955 at an initial conversion price of $2 per share of common stock.

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The State of Trade and Industry

Some steel users, however, already have found it necessary to begin production curtailments and some metalworking plants will suspend operations before all of their steel supplies are exhausted, so they can resume production at about the time steel begins pouring in volume again from the mills, it adds.

Defense work will be hit harder and sooner than civilian production in some instances, even though defense output is only a small segment of all industrial production and is of high priority, since most of the steel required for defense work never has been off the short list, this trade magazine notes.

Already, priority have been given to spread the available steel to defense work.

As a further aid to the defense program, government officials were shaping up plants to move finished steel from struck mills and warehouses and to get some of the mills back into production so that 250,000 tons more of finished steel a month could be made available for defense needs, it declares.

While most steel consumers have taken the steel strike in stride and have made no frantic efforts to procure tonnage, there are some signs of forward planning. Automotive interests were reported seeking conversion steel; some consumers were inquiring more actively for tonnage from mills still in operation, although they were moving slowly in paying high premiums; importers of foreign steel report a pickup in inquiries for plate and some alloy steels; consumers who had not ordered heavily for third-quarter delivery are showing increasing concern over the fourth quarter, but mills generally are not disposed even to discuss fourth quarter until the steel labor dispute is resolved, this trade journal points out.

Loss through today from the three steel work stoppages this year is approximately 7.8 million tons. Since the end of World War II, the loss of steel in the United States from major strikes totals approximately 36.6 million tons, concludes "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at 12.1% of capacity for the week beginning June 23, 1952, equivalent to 252,000 tons of ingots and steel for castings, unchanged from the previous week. A month ago output stood at 100.7% or 2,091,000 tons.

Car Loadings Continue to Drop Due to Steel Strike

Loadings of revenue freight for the week ended June 14, 1952, totaled 631,043 cars, according to the Association of American Railroads, representing a decrease of 53,200, or 7.8% below the preceding week, due to a strike in the steel industry.

The week's total represented a decrease of 195,840 cars, or 23.7% below the corresponding week a year ago, and a decrease of 174,833 cars, or 21.7% below the comparable period in 1950.

Electric Output Rises as a Result of Warm Weather

The amount of electric energy distributed by the electric light and power industry for the week ended June 21, 1952, was estimated at 7,254,058,000 kwh., according to the Edison Electric Institute.

The current total was 127,654,000 kwh. above that of the preceding week when actual output amounted to 7,126,404,000 kwh. It was 419,366,000 kwh., or 6.1% above the total output for the week ended June 23, 1951, and 1,151,770,000 kwh. in excess of the output reported for the corresponding period two years ago.

United States Auto Production Declines Slightly

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," totaled 94,687 units, compared with the previous week's total of 95,080 (revised) units, and 117,933 units in the like week a year go.

Total output for the past week was made up of 94,687 cars and 25,082 trucks built in the United States against 95,080 cars and 25,034 trucks (revised) last week and 117,933 cars and 31,864 trucks in the comparable period a year ago.

Canadian output last week was placed at 6,835 cars and 2,970 trucks. In the preceding week 7,342 cars and 3,088 trucks were built. In the like week last year 6,637 cars and 2,475 trucks were built.

Business Failures Show Marked Decline From Previous Week

Commercial and industrial failures declined to 151 in the week ended June 19 from 175 in the preceding week, according to Dun & Bradstreet, Inc. Although casualties were down moderately from last year when 180 occurred, they exceeded the 147 in the similar week of 1950. Continuing far below the prewar level, failures were less than one-half the 1939 total of 310.

Casualties involving liabilities of $5,000 or more dipped to 130 from 148 in the previous week.

A major portion of the week's decline took place in retail trade where failures fell to 69 from 94. Small dips were also noted in wholesaling, construction and commercial service. Manufacturing showed the only increase, rising to 40 from 32. Mortality in this line as well as in wholesaling and construction exceeded the 1951 level, while retail trade and service accounted for the only declines from last year.

The Pacific States reported a drop in failures to 26 from 55 last week. Four other regions also had slightly lower mortality, including the South Atlantic and East North Central States. Increases appeared in the Middle Atlantic, New England, the Mountain and in the East South Central States. Fewer businesses failed than last year in six of the nine major regions. The only rises over the 1951 level occurred in the Middle Atlantic, East South Central, and Mountain States.

Wholesale Food Price Index Turns Moderately Lower

Following a slight upturn last week, the wholesale food price index, compiled by Dun & Bradstreet, Inc., declined to $6.41 on June 17, from $6.45 on June 10. The current index shows a drop of 9.3% from last year's $7.07, but it is still 7.6% above the pre-Korea level of $5.96 recorded just two years ago.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Held to a Narrow Range

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved in a narrow range and closed moderately lower than a week ago. The index finished at 294.14 on June 17, comparing with 295.12 a week earlier, and with 315.14 on the corresponding date last year.

Grain markets, except for wheat, developed a firmer tone last week. Rather sharp declines in wheat were influenced by the continued favorable outlook for the Winter wheat crop and pressure of new crop marketings. The June 1 report of the Department of Agriculture estimates the Winter wheat crop at 1,060,000,000 bushels, or 74,000,000 more than the May 1 estimate.

If realized, this production would slightly exceed the previous record Winter wheat crop harvested in 1947.

Trading in corn was more active the past week, buying, being stimulated by drought conditions in the western part of the belt. Distribution of surplus government corn continued in fair volume although trade reports indicated that such sales would be discontinued shortly. Strength in rye was largely based on unfavorable crop conditions with prospects for a crop of less than 17,000,000 bushels. Trading in all grain and soybean futures on the Chicago Board of Trade last week reached a daily average of 39,700,000 bushels, comparing with 38,800,000 the previous week, and 28,500,000 in the same week last year.

Flour buying continued at the slow pace of recent weeks. Some mills reported a slight pick-up in demand for hard wheat bakery flours due to exhaustion of balances on mill books, but most makers and jobbers showed no disposition to anticipate beyond their nearby needs. Cocoa prices moved slightly lower, reflecting weakness abroad and lessened manufacturer interest in the spot market. Warehouse stocks of cocoa rose sharply to 111,144 bags, from 101,521 a week earlier, and compared with 156,063 bags on the like date a year ago. Coffee prices moved in a narrow range with roasters showing little interest in offerings. Shipments from Brazil totaled 236,000 bags for the week, up sharply from 159,000 the previous week. Trading in lard was more active with prices showing a downward tendency at times, in sympathy with easiness in vegetable oils and lower live hog values. Cattle were mostly steady to slightly lower, with lambs off sharply at the close.

Cotton prices moved irregularly with closing quotations slightly higher than a week ago. Strengthening influences included reports of increased activity in the goods market and expectations of an early settlement in the steel strike.

Foreign demand remained slow and sales for export were relatively light.

Sales in the ten spot markets were reported at 67,100 bales, against 67,200 in the previous week, and 32,000 in the corresponding week a year ago. Consumption of the staple during May, as estimated by the New York Cotton Exchange, totaled 730,000 bales, as against 832,000 bales during May last year.

Trade Volume Lifted in Latest Week but Falls Short of Year Ago

Rising temperatures and many special promotions for Father's Day were reflected in noticeable rises in retail trade in many parts of the nation in the period ended on Wednesday of last week. Reduced-price promotions and extended shopping hours helped many retailers to surpass the sales receipts of a year ago. Retail sales volume in New York City suffered in comparison with the high level of a year ago when price wars boosted buying.

Retail dollar volume for the week was estimated to be from unchanged to 4% higher than that of a year ago. Regional estimates varied from the year ago levels by the following percentages: New England —3 to +1; East —2 to +2; Midwest —1 to +3; Northwest 0 to +4; Southwest +3 to +7; South +1 to +5; Pacific +2 to +6.

Last-minute shopping for Father's Day resulted in an appreciable increase in the demand for haberdashery, sportswear and leather goods.

Shoppers spent slightly more on apparel than in the comparable 1951 week.

Food stores in many sections noted a perceptible quickening in consumer buying last week. The total spent for food was slightly higher than the corresponding week a year ago. Frozen foods continued to gain in popularity. The continued consumer resistance to high potato prices effected a distant softening of prices.

Although the purchasing of some household goods, especially "white goods," air-conditioners, and fans, rose the past week, the demand for most items remained considerably below the level of a year ago.

There was a mild rise in the volume of wholesale trade last week as buyers flocked to many market centers to prepare for a new selling season.

This, the third consecutive rise, lifted the dollar volume of wholesale orders to a level slightly higher than that of a year ago.

However, it was about 10% below the all-time high reached in the early part of 1951 when many buyers ordered heavily in anticipation of war-induced shortages which failed to materialize.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended June 14, 1952, rose 9% above the like period of last year. In the preceding week a gain of 3% (revised) was registered from the like period a year ago. For the four weeks ended June 14, 1952, sales rose 5%. For the period Jan. 1 to June 14, 1952, department store sales registered a decline of 4% below the like period of the preceding year.

Retail trade volume in New York last week again showed an unfavorable comparison with the like period a year ago. The decline was estimated at 12% and was due to the "price war" in 1951 which spurred sales.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended June 14, 1952, decreased 8% below the like period of last year. In the preceding week a decline of 17% was recorded from that of the similar week of 1951, while for the four weeks ended June 14, 1952, a decrease of 11% was registered below the level of a year ago. For the period Jan. 1 to June 14, 1952, volume declined 10% under the like period of the preceding year.

Continued from first page

As We See It

be to divorce his wife and hire her as a housekeeper. Of course, the learned gentleman was pointedly saying that the salary of a housekeeper is included in Gross National Product, although the identical service of the housewife who does not draw down any recognized salary or pay is not.

What Is It, Anyway?

But there are many other and more serious defects in this figure, the Gross National Product, as a measure of economic welfare. For those who have not taken the trouble to inquire what this now astronomical figure really is, it may be stated simply that it is the economic output of the nation (except certain services like those of the housewife, and various things which we do for ourselves) taken at market value.

One scarcely need say that any such overall figure as this can obviously be accepted by any thoughtful man as subject to a substantial margin of error — some good statisticians have said a 20% margin of error, and, of course, it moves up and down with prices. Recent attempts by the Department of Commerce to eliminate the effect of price changes upon its estimates of Gross National Product are designed to meet an obvious need, but the margin of possible, even probable, error is naturally substantially larger by reason of this additional group of estimates.

One must, however, look carefully into the composition of the Gross National Product and to think carefully about the real nature of economic welfare to come to a full realization of the shortcomings of this figure, Gross National Product, as a measure of prosperity.

Let us note, first of all, some of the things which are included in the current output of goods and services. Particularly pertinent at the moment is the fact that all the guns, tanks, military planes, ammunition, compensation of soldiers, and all the rest which go to make up rearmament and other defense activities are included. A mountain, more or less, of bazookas may be a necessary cost of economic welfare, but hardly part and parcel of it.

More Arms More GNP

During World War II we reached new highs in Gross National Product partly because prices rose drastically and partly by reason of the tremendous output of the sinews of war. On a smaller scale we are doing somewhat the same thing today. For any given dollar of Gross National Product today we are receiving very much less in terms of economic welfare (regardless of price changes) than we did say in 1947, 1948, 1949, or any prewar year.

A good many other things included in Gross National Product can at best only be put down as necessary expense of the attained degree of economic welfare—among them, of course, the cost, not inconsiderable, of estimating Gross National Product! The salaries of the armies of civilian employees of government at all levels is, of course, one of the items included in Gross National Product. Vast tax payments to all levels of government go to swell the total. Do these things always add to economic welfare? The answer is obvious.

Again, for a number of months following the outbreak of fighting in Korea in 1950, consumers and businessmen in many if not all fields feverishly added to their inventories of many kinds and varieties of goods. All this swelled Gross National Product while it was going on. So far as it represented additions to the stock of things people really wanted, it in a sense certainly added to the state of economic welfare, but he would be naive indeed who permitted his reasoning to stop there. There was much overdoing of good things, and it is now obvious that it had to be paid for.

As a measure of how active we are — regardless of how much running around in circles we are doing—Gross National Product is useful, but to come to any tenable conclusions as to the degree of real economic welfare, it is necessary to estimate the amount of running around in circles and how much such activity as this has gotten in the way of real economic production which might otherwise have occurred.

And Employment, Too

Now, of course, much that has been said about Gross National Product applies, necessary changes having been made, to employment. The old leaf-raking of the early New Deal days gave considerable employment—and incidentally swelled Gross National Product—but it was and is obviously to be regarded as a sort of mixture of charity and political bribery rather than a real contribution to economic welfare.

The fact of the matter is that the real objective of economic endeavor is to produce what we want with as little effort as possible. If employment be defined as man-hours of effort, then in some circumstances economic welfare would be greater when employment is low rather than the other way around. Leisure is in some situations as much an economic good as further quantities of physical commodities.

It would be an excellent thing if the rank and file could be persuaded to give all these matters a little thought. It might rob the political pretenders of some of their effectiveness.

Continued from page 7

Story of the Steel Decision— Its Meaning to You and Me

was received with tremendous satisfaction by all who believe that the true administration of justice is the firmest pillar of good government. Let me read one excerpt from it that must be included among the great judicial utterances of all time:

". . . I believe that the contemplated strike, if it came, with all its awful results, would be less injurious to the public than the injury which would flow from a timorous judicial recognition that there is some basis for this claim to unlimited and unrestrained Executive power, which would be implicit in a failure to grant the injunction. Such recognition would undermine public confidence in the very edifice of government as it is known under the Constitution."

Opinions of Supreme Court Justices

Now I come to the opinions of the justices of the Supreme Court. I had wagered the sum of $1 that there would be nine separate opinions. I lost. There were only seven. I imagine I am the only one here who has read every word of each of the seven opinions. Collectively they will consume close to 150 pages of concentrated reading matter. They contain a total of about 170 footnotes, some of them quite elaborate, and three appendices. Careful reading will enable you to master the contents of these opinions if you devote an entire day's time to such an enterprise. I do not commend it to you. Let me strive to save some of your time by pointing out the more important features of each opinion separately.

The opinion of the Court was delivered by Mr. Justice Black. It is 12 pages long. The last four pages consist of an appendix quoting the Executive Order in full. The first four are introductory and preliminary to the Constitutional question. You may be surprised to learn that the Constitutional question is disposed of in $3\frac{1}{2}$ pages without the citation of a single decision. The very essence of this opinion is contained in four sentences which I quote:

"Even though 'theater of war' be an expanding concept, we cannot with faithfulness to our constitutional system hold that the Commander in Chief of the Armed Forces has the ultimate power as such to take possession of private property in order to keep labor disputes from stopping production. This is a job for the Nation's lawmakers, not for its military authorities.

* * *

"The President's order does not direct that a congressional policy be executed in a manner prescribed by Congress—it directs that a presidential policy be executed in a manner prescribed by the President.

"The Founders of this Nation entrusted the lawmaking power to the Congress alone in both good and bad times."

The concurring opinion of Mr. Justice Frankfurter is 33 pages in length. It cannot be readily epitomized but in my judgment the heart of it can be found in a few sentences. He said:

"It cannot be contended that the President would have had power to issue this order had Congress explicitly negated such authority in formal legislation. Congress has expressed its will to withhold this power from the President as though it had said so in so many words."

Later on in tracing the history of the legislation that expressed the will of Congress he said:

"To draw implied approval of seizure power from this history is to make something out of nothing.

* * *

"It is quite impossible, however, when Congress did specifically address itself to a problem, as Congress did to that of seizure, to find secreted in the interstices of legislation the very grant of power which Congress consciously withheld."

Mr. Justice Jackson concurred in a 22-page opinion. Said he:

"Congress has not left seizure of private property an open field but has covered it by three statutory policies inconsistent with this seizure.

* * *

"The Solicitor General seeks the power of seizure in three clauses of the Executive Article, the first reading, 'The executive Power shall be vested in a President of the United States of America.' Lest I be thought to exaggerate, I quote the interpretation which his brief puts on it: 'In our view, this clause constitutes a grant of all the executive powers of which the Government is capable.' If that be true, it is difficult to see why the forefathers bothered to add several specific items, including some trifling ones.

"The example of such unlimited executive power that must have most impressed the forefathers was the prerogative exercised by George III, and the description of its evils in the Declaration of Independence leads me to doubt that they were creating their new Executive in his image.

* * *

"But no doctrine that the Court could promulgate would seem to me more sinister and alarming than that a President whose conduct of foreign affairs is so largely uncontrolled, and often even is unknown, can vastly enlarge his mastery over the internal affairs of the country by his own commitment of the nation's armed forces to some foreign venture.

* * *

"That military powers of the Commander-in-Chief were not to supersede representative government of internal affairs seems obvious from the Constitution and from elementary American history.

* * *

"No penance would ever expiate the sin against free government of holding that a President can escape control of executive powers by law through assuming his military role. What the power of command may include I do not try to envision, but I think it is not a military prerogative, without support of law, to seize persons or property because they are important or even essential for the military and naval establishment.

* * *

"With all its defects, delays and inconveniences, men have discovered no technique for long preserving free government except that the Executive be under the law, and that the law be made by parliamentary deliberations."

The next concurring opinion is that of Mr. Justice Burton of five pages and its concluding paragraph sufficiently discloses the substance of it. It reads:

"The controlling fact here is that Congress, within its constitutionally delegated power, has prescribed for the President specific procedures, exclusive of seizure, for his use in meeting the present type of emergency. Congress has reserved to itself the right to determine where and when to authorize the seizure of property in meeting such an emergency. Under these circumstances, the President's order of April 8 invaded the jurisdiction of Congress. It violated the essence of the principle of the separation of governmental powers."

Mr. Justice Clark's concurring opinion is but 8 pages long. He expresses his conclusion this way:

"I conclude that where Congress has laid down specific procedures to deal with the type of crisis confronting the President, he must follow those procedures in meeting the crisis; but that in the absence of such action by Congress, the President's independent power to act depends upon the gravity of the situation confronting the nation. I cannot sustain the seizure in question, because here, as in *Little v. Barreme*, Congress had prescribed methods to be followed by the President in meeting the emergency at hand."

The last concurring opinion to be mentioned is that of Mr. Justice Douglas, 6 pages long. It ends with this:

"We could not sanction the seizures and condemnations of the steel plants in this case without reading Article II as giving the President not only the power to execute the laws but to make some. Such a step would most assuredly alter the pattern of the Constitution.

"We pay a price for our system of checks and balances, for the distribution of power among the three branches of government. It is a price that today may seem exorbitant to many. Today, a kindly President uses the seizure power to effect a wage increase and to keep the steel furnaces in production. Yet tomorrow another President might use the same power to prevent a wage increase, to curb trade unionists, to regiment labor as oppressively as industry thinks it has been regimented by this seizure."

Please note carefully that I have refrained from attempting to paraphrase any portion of any of these opinions. I have attempted to cull out the high spots of each, quoting from them in the interest of complete accuracy.

Courage and Forthrightness of the Judges

Bearing in mind that those of us who were engaged in the pro-

tection of the legal rights of the steel companies were naturally concerned about the composition of the Supreme Court, I would not be frank with you did I not express my admiration for the courage and forthrightness of the six justices whose opinions I have briefly discussed. Two of them were Attorneys General acting as legal advisers to the President under the so-called New Deal or Fair Deal administrations. Most of them were thought to be sympathetic to the theretofore never-ceasing encroachment of administrative and executive power in all phases of government. Be it said to the everlasting credit of these six justices collectively and individually—

1st: That they rose magnificently above all political considerations.

2nd: That they interpreted the Constitution in accordance with its mandate and the overwhelming weight of authority.

3rd: That they were actuated solely by the conscientious desire to further the administration of justice and could not be diverted by any such considerations as expediency, pressure, or the expression of any prior inconsistent views before ascending that bench.

4th: That their decision reassures all of us to whom the Supreme Court has always been the bulwark of our liberties and the ultimate refuge for the protection of our chosen form of government.

Confessions are good for the soul. I want to publicly acknowledge here nad now that the views I had formed, and to some extent expressed, about the present stature of our Supreme Court have been shattered by this decision. The Court has measured up to the highest standards and I retract, unconditionally, anything I ever said or thought to the contrary.

Thank God that it was given to Judge Pine to decide as he did and to the six justices of the Supreme Court to affirm that judgment.

I have not overlooked the minority opinion. It was written by the Chief Justice with whom Mr. Justice Reed and Mr. Justice Minton joined. It is 44 pages in length and presents the dissenting point of view in its strongest possible light. With all deference to the very distinguished jurist who wrote it, I cannot agree with its conclusion:

"No basis for claims of arbitrary action, unlimited powers or dictatorial usurpation of congressional power appears from the facts of this case. On the contrary, judicial, legislative and executive precedents throughout our history demonstrate that in this case the President acted in full conformity with his duties under the Constitution."

Nor can I agree with that portion of the opinion which stresses what is described as the "messenger-boy concept of the office" of the President. No one on our side even attempted to minimize the importance of the highest office in the gift of the American people but we did insist that the powers of the Executive are limited by the Constitution.

I would have preferred that the entire bench concurred in the opinion of the Court. A unanimous decision would have been heart-warming but it was not to be. However, we will take the 6-3 decision and not complain or seek any reargument.

What is the ultimate impact of this case on our constitutional form of government? It can be summarized very briefly.

Conclusion

It reaffirms the traditional principle that ours is a government of laws and not of men. It refuses to recognize that any man is above the law, no, not even the President of the United States. It will serve as a constant signal against encroachment by the Executive branch of government on the constitutional prerogatives of the legislative branch. It embodies and perpetuates the fundamental principles the founders of this republic attempted to incorporate in the greatest document yet devised by the brain of men. It preserves and defends the private property of our citizens against illegal and unconstitutional seizure by even a benevolent executive. It insures a feeling of security and pride in our governmental institutions and especially in our judiciary. It is a permanent landmark in the history of our country, once again vitalizing that provision of the Constitution which reads:

"This Constitution and the Laws of the United States which shall be made in pursuance thereof . . . shall be the Supreme Law of the Land." [Article VI Constitution.]

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Role of State and Local Units in Curbing Inflation

Thus, the value of contracts placed for educational, hospital, and other institutional facilities temporarily increased in importance while those for social and recreational facilities, highways, and airports decreased. Municipalities apparently pared construction contract awards for social and recreational facilities even more sharply than did either state or county governments. Considering the burden on the national economy of the rearmament program, the shift was clearly in the public interest.

Current Economic Stability

The present economic situation is one of high levels of output and employment and relaxed inflationary pressures. The economy is producing at the annual rate of $345 billion, measured in current purchasing power, and our civilian labor force is employed to within 97% of estimated supply. With a better balance between total demand and supply at prevailing price levels and with improving supply prospects for key materials, some moderation of anti-inflation efforts has been called for and has been appropriate. Administrative controls have been lifted selectively and, in the financial area, voluntary credit restraint and consumer credit regulation have been suspended and real estate credit regulation has been relaxed.

Even though these steps have been taken, informed public opinion needs to recognize that resumption of inflationary pressures continues to be a threat and that national anti-inflation policy must be capable of reversal if necessary. Prices and costs are at high levels — prices on average are about one-eighth higher than those obtaining before Korean hostilities began. While supply conditions are generally easier than they were, the Federal Government's take of total supply for national security is still rising absolutely and relatively; business plant and equipment expenditures are at peak levels and destined to continue in large volume; purchases of goods by local and state governments, which are more than twice what they were in 1946, are continuing to rise; and personal income and consumption expenditures are expanding further.

Besides these demand forces, a brittle international situation stands as a roadblock to any sizable reduction in armament and other security outlays, and the Federal Government confronts substantial deficits, which must be financed. The financing of Federal deficits, combined with meeting other necessary financing of the economy, presents a formidable problem if resumption of inflationary credit and monetary expansion is to be avoided.

As with other sectors of the economy, there continues to be a huge potential for spending and financing in the local and state government area. Demand is very great for schools and highways; also for other facilities such as water and sewerage facilities, hospitals and related institutions, slum clearance and housing development. In part, this potential is attributable to deliberately deferred projects. More largely, however, it exists because we have not yet caught up with all of the postwar backlog of need and because postwar population and living standard developments have been adding to need. Those who have inventoried these needs come up with large estimates; they add up to totals of $100 billion or more.

Altogether the present state of economic affairs calls for continuing awareness of the dangers of regenerating inflationary trends and for vigilance in preparation to deal with them if they develop. In these circumstances, conservatism in undertaking extensions of governmental facilities is obviously the prudent course. As a general guide to conservative policy in the national interest, the principles of voluntary credit restraint continue to have a broad validity.

There is, of course, another basis for conservative policy under present conditions. While there is the danger of resumed inflation, there is also, after long and sustained inflationary expansion, the danger of economic setback. Government officials must have an eye to this danger, particularly with defense spending reaching a peak not too many months hence and then beginning a decline. If a stable economic development is to be achieved, now is the time to conduct governmental affairs so that an adequate cushion is available to cope with effects of economic readjustment on individual communities.

Preservation of an ample reserve of construction projects to help cope with economic reversal is an unavoidable responsibility of local and state government if further centralization of governmental power in this country is to be averted. To make effective such a responsibility, there must also be a reserve of financial power, including borrowing power. The recent rise of governmental costs as compared with the rise in receipts, together with the current debt position of local and state government, need to be reviewed carefully with a special concern for employment problems which may be encountered in the event of downward economic adjustment.

An Area for Special Consideration

One particular development that merits comment at this time is increasing adoption by our various governmental units of programs to attract new industry. One of the devices to accomplish this end is that of tax exemption or underassessment of industrial property. Other devices are cash bonuses, interest free loans, provision of plant and equipment at nominal rentals, and the donation of land and buildings to industry directly or through industrial foundations. Whatever the device, there is a burden on community budgets and an addition to financing need. Although there may be strong community incentives or pressures for the adoption of these programs, they have two national dangers in the present situation. The first is that they are adding to current credit demand of governmental units and thus to the generation of inflationary pressures. The second is that they are accelerating debt accumulation and siphoning away financial strength. As stated earlier, this is a time for conserving such strength.

Concluding Observations

Postwar years have been crisis years. If and when we move away from this crisis phase, more thought and study will need to be devoted to the role of local and state government finance in attaining a stable economic progress. The problem is how to temper government spending and to reduce debt when the private economy generally is expanding and how to accelerate spending and borrowing when the economy generally is contracting. Considering the widely varying situations and development of our numerous communities and states, a solution to this problem presents many difficulties.

But such a subject is one eminently deserving of study over the long run. In the short run, we are confronted with immediate dangers. We have the resources to permit a resumption of inflationary pressures—high incomes, a large stock of liquid assets, and a big potential for increasing further our credit and money supply. Our defense program, moreover, will continue to take a substantial share of our output for an indefinite time. We also have the resources — large stocks of homes and other goods in the hands of consumers and a greatly enlarged productive capacity to turn out more goods while meeting defense requirements—to overfill current demands and induce a setback in economic activity. We have an immediate problem of maintaining economic stability; it is everyone's responsibility to help solve it.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

From about June 6 until this writing the market has been poking its head up against the top of an area that is roughly defined between 266 and 272 in the Dow-Jones industrial averages. During the same period the rails have been acting in the same fashion as the industrials within a range of about 98 to 104. These are statements of fact. If you take a look at the averages you will see this for yourself.

* * *

The big problem is to determine in which direction the averages will break out and how far this breakout is likely to carry them. At this point, other than technical market influences come into play. These consist of news of different sorts with the election campaign playing a major role.

* * *

It is too early to expect the market to reflect any election beliefs, primarily because no candidate has been chosen as yet by either party. The Republicans seem to be killing their chances with their internecine battles. The two leading candidates, Taft and Eisenhower, are behaving as if they represent two different parties. The Democrats are in a better strategic position for the time being. Kefauver seems to be in the lead but the inner wire pullers don't take him seriously. For what it's worth, here's a piece of gossip that is making the rounds of the higher political echelons. The Democrats are hoping that Taft wins the nomination. If he does Truman will run against him. If Eisenhower gets the nod, the Democrats feel they have nobody strong enough to beat him.

* * *

While all the foregoing makes interesting chatter, its influence on the market is still comparatively small. The foreign policy, and the possible international explosions, have a great deal more current impact, with the domestic business picture taking the lead in shaping the form of the stock market.

* * *

Last week the market picture, which has been glum for some time, seemed to indicate a change; a condition that was called attention to in last week's column. The veering winds are still in effect, except that now the action of the averages can take precedence in pointing to the direction. For the time being th performance of the averag will dominate individual stoc action and therefore neec closer attention.

* * *

Should the industrials ge under the 266 figure it wil immediately threaten a lowe base of about 260. In fact breaking the 267 point can be easily followed by a severe break. Violation of the 99 figure in the rails can carry that group down to about 95. In move by points that doesn't look like much. The repercussions, however, can be severe.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Joins Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Oliver G. Tyrrell has joined the staff of Samuel B. Franklin & Company, 215 West Seventh Street.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Lawrence E. Tucker is now affiliated with E. F. Hutton & Company, 623 South Spring Street.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 29	12.1	12.1	100.7	102.8
Equivalent to— Steel ingots and castings (net tons)	June 29	252,000	252,000	2,091,000	2,055,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 14	6,148,850	6,080,700	WAS	6,189,450
Crude runs to stills—daily average (bbls.)	June 14	‡6,762,000	6,598,000		6,538,000
Gasoline output (bbls.)	June 14	21,802,000	21,716,000	NOT	21,895,000
Kerosene output (bbls.)	June 14	2,208,000	2,206,000		2,548,000
Distillate fuel oil output (bbls.)	June 14	10,298,000	9,606,000	AVAILABLE	8,531,000
Residual fuel oil output (bbls.)	June 14	9,017,000	8,355,000		9,169,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—				DUE TO	
Finished and unfinished gasoline (bbls.) at	June 14	121,993,000	123,456,000		137,905,000
Kerosene (bbls.) at	June 14	21,086,000	20,382,000	OIL	24,929,000
Distillate fuel oil (bbls.) at	June 14	57,944,000	53,668,000		64,429,000
Residual fuel oil (bbls.) at	June 14	40,889,000	39,088,000	STRIKE	40,609,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 14	631,043	684,243	754,373	826,88[illegible]
Revenue freight received from connections (no. of cars)	June 14	562,746	591,412	628,754	679,307
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 19	$305,727,000	$243,893,000	$237,861,000	$207,449,000
Private construction	June 19	141,984,000	117,405,000	140,699,000	54,691,000
Public construction	June 19	163,743,000	126,488,000	97,162,000	152,758,000
State and municipal	June 19	90,100,000	70,671,000	59,976,000	100,061,000
Federal	June 19	73,643,000	55,817,000	37,186,000	52,697,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 14	7,270,000	*7,585,000	8,390,000	10,223,000
Pennsylvania anthracite (tons)	June 14	742,000	739,000	720,000	876,000
Beehive coke (tons)	June 14	21,600	*42,600	109,900	148,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 14	115	*111	99	106
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 21	7,254,058	7,126,404	7,146,204	6,834,692
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 19	151	175	145	180
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 17	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	June 17	$52.77	$52.77	$52.77	$52.69
Scrap steel (per gross ton)	June 17	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 18	24.200c	24.200c	24.200c	24.200c
Export refinery at	June 18	33,575c	34.500c	27.425c	27.425c
Straits tin (New York) at	June 18	121.500c	121.500c	121.500c	111.000c
Lead (New York) at	June 18	15.000c	15.000c	15.000c	17.000c
Lead (St. Louis) at	June 18	14.800c	14.800c	14.800c	16.800c
Zinc (East St. Louis) at	June 18	15.000c	16.000c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 24	98.30	98.51	98.68	97.1[illegible]
Average corporate	June 24	109.97	109.97	110.15	109.4[illegible]
Aaa	June 24	114.46	114.46	114.46	113.3[illegible]
Aa	June 24	112.56	112.75	112.93	112.1[illegible]
A	June 24	109.42	109.42	109.42	108.70
Baa	June 24	103.97	103.97	104.48	103.80
Railroad Group	June 24	107.09	107.27	107.44	106.74
Public Utilities Group	June 24	109.42	109.60	109.60	108.70
Industrials Group	June 24	113.50	113.31	113.50	113.12
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 24	2.62	2.60	2.59	2.6[illegible]
Average corporate	June 24	3.17	3.17	3.16	3.2[illegible]
Aaa	June 24	2.93	2.93	2.93	2.9[illegible]
Aa	June 24	3.03	3.02	3.01	3.0[illegible]
A	June 24	3.20	3.20	3.20	3.2[illegible]
Baa	June 24	3.51	3.51	3.48	3.5[illegible]
Railroad Group	June 24	3.33	3.32	3.31	3.3[illegible]
Public Utilities Group	June 24	3.20	3.19	3.19	3.24
Industrials Group	June 24	2.98	2.99	2.98	3.00
MOODY'S COMMODITY INDEX	June 24	433.9	432.2	434.5	490.[illegible]
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 14	192,889	244,912	181,601	195,95[illegible]
Production (tons)	June 14	206,998	185,107	205,276	243,31[illegible]
Percentage of activity	June 14	86	75	83	10[illegible]
Unfilled orders (tons) at end of period	June 14	383,144	412,083	388,381	649,604
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE = 100	June 20	140.3	139.0	139.9	151.1
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	June 7	24,953	18,915	24,606	24,48[illegible]
Number of shares	June 7	683,174	514,350	694,773	708,40[illegible]
Dollar value	June 7	$35,559,018	$23,875,189	$31,029,809	$32,733,83[illegible]
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 7	21,912	15,897	21,370	21,60[illegible]
Customers' short sales	June 7	114	72	131	29[illegible]
Customers' other sales	June 7	21,798	15,825	21,239	21,311
Number of shares—Total sales	June 7	587,365	424,334	575,448	599,347
Customers' short sales	June 7	4,002	2,605	4,545	10,842
Customers' other sales	June 7	583,363	421,729	570,903	588,505
Dollar value	June 7	$24,732,110	$17,566,739	$24,463,941	$24,599,224
Round-lot sales by dealers—					
Number of shares—Total sales	June 7	173,270	126,740	157,210	176,820
Short sales	June 7	------	------	------	------
Other sales	June 7	173,270	126,740	157,210	176,820
Round-lot purchases by dealers—					
Number of shares	June 7	305,270	211,510	293,480	281,190
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	May 31	153,140	217,330	260,800	283,760
Other sales	May 31	4,221,100	6,302,280	6,520,070	4,750,240
Total sales	May 31	4,374,240	6,519,610	6,780,870	5,044,000
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	May 31	405,610	613,240	690,170	478,940
Short sales	May 31	86,750	104,570	138,590	140,210
Other sales	May 31	326,330	505,970	605,950	376,380
Total sales	May 31	413,080	610,540	744,540	516,590
Other transactions initiated on the floor—					
Total purchases	May 31	74,780	129,370	146,850	114,830
Short sales	May 31	7,200	8,750	14,800	22,700
Other sales	May 31	93,050	174,060	160,510	135,000
Total sales	May 31	100,250	182,810	175,310	157,700
Other transactions initiated off the floor—					
Total purchases	May 31	239,262	223,050	231,663	195,270
Short sales	May 31	32,770	60,820	34,390	40,000
Other sales	May 31	202,513	286,506	278,441	189,465
Total sales	May 31	235,283	347,326	312,831	229,465
Total round-lot transactions for account of members—					
Total purchases	May 31	629,651	965,660	1,068,683	789,040
Short sales	May 31	126,720	174,140	187,780	202,910
Other sales	May 31	621,853	966,536	1,044,901	710,845
Total sales	May 31	748,613	1,140,676	1,232,681	913,755
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	June 17	111.2	111.7	112.0	------
Farm products	June 17	107.3	111.0	110.6	------
Processed foods	June 17	108.6	109.3	108.7	------
Meats	June 17	113.6	115.5	113.9	------
All commodities other than farm and foods	June 17	112.5	112.4	113.0	------

*Revised. †Figures not available. ‡Includes 584,000 barrels of foreign crude runs.

	Month Latest	Month Previous	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of April	76,880	77,069	67,701
Stocks of aluminum (short tons) end of Apr.	10,239	11,171	13,415
AMERICAN GAS ASSOCIATION — For month of April:			
Total gas (M therms)	4,790,956	5,344,248	4,472,654
Natural gas sales (M therms)	4,473,019	4,967,096	4,151,361
Manufactured gas sales (M therms)	128,970	151,261	165,362
Mixed gas sales (M therms)	188,967	225,891	155,931
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of May	8,261,000	*7,991,142	9,100,155
Shipments of steel products, incl. carbon alloy & stainless (net tons)—Month of April	5,922,173	6,890,391	6,634,510
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of May (in thousands)	$135,555,000	------	$130,704,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of May:			
Manufacturing number	111	171	123
Wholesale number	59	83	84
Retail number	333	375	385
Construction number	75	93	94
Commercial service number	60	58	64
Total number	638	780	755
Manufacturing liabilities	$10,217,000	$12,633,000	$5,497,000
Wholesale liabilities	1,847,000	4,250,000	3,994,000
Retail liabilities	5,264,000	7,050,000	7,487,000
Construction liabilities	2,646,000	3,853,000	4,655,000
Commercial service liabilities	1,219,000	1,744,000	1,871,000
Total liabilities	$21,193,000	$29,530,000	$23,504,000
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of May (000's omitted):			
Total U. S. construction	$1,433,642	$1,180,340	$1,267,995
Private construction	737,127	585,909	698,456
Public construction	696,515	594,431	569,539
State and municipal	450,093	407,291	359,566
Federal	246,422	187,140	209,973
COAL OUTPUT (BUREAU OF MINES)—Month of May:			
Bituminous coal and lignite (net tons)	36,755,000	*39,095,000	43,362,000
Pennsylvania anthracite (net tons)	3,203,000	*3,187,000	3,622,000
Beehive coke (net tons)	450,000	*435,800	607,900
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term Credit in millions as of April 30:			
Total consumer credit	$19,771	$19,558	$20,024
Instalment credit	13,302	13,155	13,374
Sale credit	7,106	7,047	7,204
Automobile	3,957	3,891	3,969
Other	3,149	3,156	3,235
Loan credit	6,196	6,108	6,170
Noninstalment credit	6,469	6,403	6,650
Charge accounts	3,913	3,855	4,107
Single payment loans	1,450	1,444	1,461
Service credit	1,106	1,104	1,103
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of April	847,444	------	985,227
In consuming establishments as of May 3	1,574,399	------	2,331,924
In public storage as of May 3	3,044,205	------	2,449,257
Linters—Consumed month of March	98,494	------	110,917
In consuming establishments as of May 3	263,202	------	291,893
In public storage as of May 3	133,386	------	122,915
Cotton spindles active as of May 3	19,613,000	------	19,941,000
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of March:			
All manufacturing (production workers)	12,796,000	*12,808,000	13,188,000
Durable goods	7,292,000	*7,294,000	7,428,000
Nondurable goods	5,499,000	*5,514,000	5,761,000
Employment Indexes (1947-49 Avge. = 100)— All manufacturing	103.4	103.5	106.6
Payroll Indexes (1947-1949 Average = 100)— All manufacturing	131.2	*130.9	130.0
Estimated number of employees in manufacturing industries—			
All manufacturing	15,836,000	*15,849,000	16,022,000
Durable goods	9,006,000	*8,997,000	8,969,000
Nondurable goods	6,830,000	*6,852,000	7,053,000
HOUSEHOLD VACUUM CLEANERS — STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.) — Month of May:			
Factory sales (number of units)	216,969	217,169	201,983
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of May (1935-39 average = 100)	122.2	122.5	126.9
METAL OUTPUT (BUREAU OF MINES) — Month of April:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	80,359	*78,851	82,459
Gold (in fine ounces)	137,315	*136,518	155,693
Lead (in short tons)	34,712	*33,662	73,122
Silver (in fine ounces)	3,407,507	*3,457,742	3,612,033
Zinc (in short tons)	61,515	*61,292	56,257
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS ASSN.)—Month of March:			
Total number of vehicles	482,973	435,216	755,022
Number of passenger cars	373,231	333,885	617,399
Number of motor trucks	109,173	100,706	136,794
Number of motor coaches	569	625	829
NEW YORK STOCK EXCHANGE— As of May 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers net debt balances	$1,311,845	$1,314,867	$1,267,316
Credit extended to customers	33,191	38,223	40,937
Cash on hand and in banks in U. S.	338,928	360,840	369,769
Total of customers' free credit balances	724,958	755,627	855,751
Market value of listed shares	110,687,572	107,847,909	100,119,991
Market value of listed bonds	97,311,429	97,354,991	99,938,357
Member borrowings on U. S. Govt. issues	81,743	103,504	58,812
Member borrowings on other collateral	885,795	851,588	715,332
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of April: (000's omitted):			
Exports	$1,330,900	$1,416,000	$1,370,000
Imports	931,800	962,500	1,032,675
WINTER WHEAT AND RYE—U. S. DEPT. OF AGRICULTURE—As of June 1, 1952:			
Winter wheat—Production	1,060,298	------	645,469
Rye—Production	16,974	------	21,410
ZINC OXIDE (BUREAU OF MINES)—Month of April:			
Production (short tons)	14,739	14,864	17,857
Shipments (short tons)	15,873	13,814	17,934
Stocks at end of month (short tons)	30,512	31,646	11,168

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

● Admiral Corp., Chicago, Ill.
June 2 filed 41,669 shares of capital stock (par $1) being offered in exchange for common stock of Canadian Admiral Corp., Ltd., at rate of one share of Admiral stock for each two shares of Canadian Admiral stock held. This exchange offer will expire on Aug. 30. **Dealer-Manager**—Dempsey & Co., Chicago, Ill. Statement effective June 19.

Aegis Casualty Insurance Co., Denver, Colo.
June 4 (letter of notification) 75,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To expand insurance business. **Office**—Suite 702, E. & C. Building, 930 17th Street, Denver 2, Colo. **Underwriter**—Aegis Corp., Denver, Colo.

★ Alabama Telephone Co., Fayette, Ala.
June 16 (letter of notification) 1,000 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For improvements and additions to property. **Underwriter**—None.

Ameranium Mines, Ltd., Toronto, Canada
May 28 filed 2,079,871 shares of capital stock (par $1), of which 908,845 shares are to be offered to public by company, 108,847 shares by underwriter and 666,171 shares to be reoffered under rescission offer. **Price**—70 cents per share. **Proceeds**—For prospecting, drilling expenses, etc. **Underwriter**—I. Nelson Dennis & Co., Toronto, Canada.

● American Investment Co. of Illinois
May 16 filed 100,000 shares of cumulative prior preferred stock (par $100) later reduced to 50,000 shares by amendment. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriters**—Kidder, Peabody & Co., New York, and Alex. Brown & Sons, Baltimore, Md. **Offering**—Postponed indefinitely.

● American Telephone & Telegraph Co.
May 22 filed between $490,000,000 and $510,000,000 of 12-year 3½% convertible debentures, due July 31, 1964 (convertible through July 31, 1962, into common stock beginning Sept. 30, 1952, at $136 per share, payable by surrender of $100 of debentures and $36 in cash), being offered for subscription by stockholders of record June 16 at rate of $100 of debentures for each seven shares held; rights to expire July 31, 1952. **Price**—At par. **Proceeds**—For advances to subsidiary and associated companies. **Underwriter**—None. Statement effective June 9.

Ampal-American Palestine Trading Corp., N. Y.
June 16 filed $5,000,000 of 15-year 4% sinking fund debentures due 1967 and $497,000 of 15-year 4% sinking fund debentures due 1966. **Price**—At par (in denominations of $100 each). **Proceeds**—To purchase equipment and machinery. **Business**—Development of agriculture and commerce in Israel. **Underwriter**—None.

Andowan Mines, Ltd., Port Arthur, Ont., Canada
May 8 filed 500,000 shares of common stock (par $1). **Price**—38 cents per share. **Proceeds**—For exploratory drilling and improvement on present holdings. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

● Associated Telephone Co., Ltd. (Calif.)
June 4 filed 350,000 shares of 5% cumulative preferred stock, 1947 series (par $20). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp. and Mitchum, Tully & Co. **Offering**—Being made today.

★ Atlantic Refining Co. (7/15)
June 25 filed 1,000,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriter**—Smith, Barney & Co., New York.

● Bailey Selburn Oil & Gas Ltd. (7/15)
June 13 filed 1,000,000 shares of class A stock (par $1-Canadian). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—Calgary, Alberta, Canada. **Underwriter** — Reynolds & Co., New York, will underwrite 600,000 of the shares in the United States; and McLeod, Young, Weir & Co., Ltd., 40,000 shares in Canada.

★ Baton Rouge (La.) Water Works Co.
June 18 (letter of notification) 6,314 shares of common stock. **Price**—$42 per share. **Proceeds**—For expansion program. **Office**—131 Lafayette St., Baton Rouge, La. **Underwriter**—None.

● Blockson Chemical Co., Joliet, Ill. (6/27)
June 6 filed 500,000 shares of common stock (par $7.50). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Business**—Produces sodium phosphates, etc. **Underwriter**—Goldman, Sachs & Co., New York.

★ Blue Ridge Natural Gas & Oil Corp., Waynesburg, Pa.
June 23 (letter of notification) 1,175,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For acquisition of additional leaseholds, for exploration and drilling expenses and working capital. **Underwriter**—Whitney-Phoenix Co., Inc., New York.

● Bristol-Myers Co., New York
May 28 filed 199,872 shares of common stock (par $2.50) being offered for subscription by common stockholders of record on June 17 at rate of one share for each seven shares held; rights to expire about July 1. **Price**—$24.50 per share. **Proceeds**—For expansion and general corporate purposes. **Underwriter**—Wertheim & Co., New York. Statement effective June 17.

★ Byrd Oil Co., Dallas, Texas (7/14)
June 24 filed 180,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York, and Straus, Blosser & McDowell, Chicago, Ill.

Canada General Fund, Inc. (7/8)
June 17 filed 1,350,000 shares of capital stock (par $1). **Price** — $10 per share. **Proceeds** — For investment in companies doing business in Canada. **Underwriters**—Bache & Co. and Paine, Webber, Jackson & Curtis of New York. **Business**—Closed-end fund at outset. To become open-end upon completion of financing, when Vance, Sanders & Co., Boston, Mass., will become distributor.

Cardiff Fluorite Mines, Ltd., Toronto, Canada
May 22 filed (amendment) 300,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For development expenses and general corporate purposes. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Century Natural Gas & Oil Corp.
April 30 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds**—To Robert M. Allender and Judson M. Bell, two selling stockholders. **Underwriters**—Blair F. Claybaugh & Co., Harrisburg, Pa.

★ Chase Chemical Co. (7/7)
June 23 (letter of notification) 291,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—Newark, N. J. **Underwriters**—Aigeltinger & Co. and Vickers Brothers, both of New York.

Cinecolor Corp., Burbank, Calif.
May 9 filed $452,350 of five-year 5% subordinated sinking fund debentures due May 1, 1957 (with common stock purchase warrants attached) to be offered for subscription by common stockholders at rate of $1 of debentures for each two common shares held. **Price**—At par. **Proceeds**—To purchase voting control of Cinecolor (Great Britain), Ltd. and for working capital. **Business**—Two-color film process. **Underwriter**—None. **Warrants** — Will entitle holders to purchase 452,350 shares of common stock at par ($1 per share). They are exercisable to May 1, 1955.

● Cities Service Co.
May 28 filed $4,090,000 of participations in the Employees Thrift Plan of Cities Service Co. and participating subsidiary companies and 40,000 shares of common stock purchasable under the plan. **Underwriter**—None. Statement effective June 17.

Citizens Credit Corp., Washington, D. C.
April 10 (letter of notification) $125,000 of 6% subordinated debentures due 1969 (with warrants attached to purchase 3,750 shares of class A common stock at $15 per share and 750 shares of class B common at 25 cents per share). **Price**—At 99% and accrued interest. **Proceeds**—To acquire loan offices and subsidiaries. **Office**—1028 Connecticut Avenue, Washington 6, D. C. **Underwriter**—Emory S. Warren & Co., Washington, D. C.

Colorado Fuel & Iron Corp.
June 11 filed 39,475 shares of common stock (no par). **Price**—At market. **Proceeds**—To Mt. Oliver & Staunton Coal Co., the selling stockholder. **Underwriter** — None, shares to be sold from time to time on the New York Stock Exchange.

★ Commonsense Commodity Futures, Inc.
June 16 (letter of notification) 2,500 participation unit certificates. **Price**—$100 each. **Proceeds**—For use in trading. **Office**—Brookwood Park, Parsippany, N. J. **Underwriter**—None.

★ Commonwealth Edison Co., Chicago, Ill. (7/15)
June 19 filed $40,000,000 first mortgage bonds, series O, due July 1, 1982. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp., New York. **Bids**—To be received up to 10:30 a.m. (CDT) on July 15 at 72 West Adams St., Chicago 90, Ill.

Continued on page 38

NEW ISSUE CALENDAR

June 26, 1952

Virginian Ry. — **Equip. Trust Ctfs.**
(Bids to be received at noon EDT)

June 27, 1952

Blockson Chemical Co. — **Common**
(Goldman, Sachs & Co.)

June 30, 1952

Martin (Glenn L.) Co. — **Common**
(Offering to stockholders)

Penobscot Chemical Fibre Co. — **Bonds**
(Coffin & Burr, Inc., and Chase, Whiteside, West & Winslow, Inc.)

July 1, 1952

Devon-Leduc Oils, Ltd. — **Bonds**
(McLaughlin, Reuss & Co.)

Duquesne Natural Gas Co. — **Common**
(Bioren & Co., Hourwich & Co., and C. T. Williams & Co., Inc.)

Florida Power Corp. — **Common**
(Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane)

General Public Utilities Corp. — **Common**
(Offering to stockholders)

Peerless Casualty Co. — **Common**
(Geyer & Co.)

July 2, 1952

Illinois Terminal RR. — **Equip. Trust Ctfs.**
(Bids noon CDT)

Louisville & Nashville RR. — **Equip. Trust Ctfs.**
(Bids 11 a.m. EDT)

Washington Gas Light Co. — **Common**
(The First Boston Corp. and Johnston, Lemon & Co.)

July 3, 1952

Metals & Chemicals Corp. — **Common**
(Beer & Co.)

July 7, 1952

Case Chemical Co. — **Common**
(Aigeltinger & Co., Vickers Bros.)

McCarthy (Glenn), Inc. — **Common**
(B. V. Christie & Co.)

Pyramid Oil & Gas Corp. — **Common**
(Willis E. Burnside & Co., Inc.)

July 8, 1952

Canada General Fund, Inc. — **Common**
(Bache & Co. and Paine, Webber, Jackson & Curtis)

Georgia Power Co. — **Bonds**
(Bids 11 a.m. EDT)

South Jersey Gas Co. — **Common**
(Bids 11 a.m. EDT)

Staley (A. E.) Manufacturing Co. — **Debentures**
(Smith, Barney & Co. and The First Boston Corp.)

July 9, 1952

Texas Gas Transmission Corp. — **Common**
(Dillon, Read & Co., Inc.)

July 14, 1952

Byrd Oil Co. — **Common**
(Dallas Rupe & Son; Carl M. Loeb, Rhoades & Co.; Straus, Blosser & McDowell)

General Acceptance Corp. — **Debentures**
(Paine, Webber, Jackson & Curtis)

Suntide Refining Co. — **Debs. & Common**
(Eastman, Dillon & Co.)

July 15, 1952

Atlantic Refining Co. — **Common**
(Smith, Barney & Co.)

Bailey Selburn Oil & Gas Co., Ltd. — **Common**
(Reynolds & Co. and McLeod, Young, Weir, Inc.)

Commonwealth Edison Co., Chicago, Ill. — **Bonds**
(Bids 10:30 a.m. CDT)

Deere & Co. — **Debs. & Common**
(Harriman Ripley & Co., Inc.)

Dow Chemical Co. — **Debentures**
(Smith, Barney & Co.)

Pubco Development, Inc. — **Common**
(Allen & Co.)

July 22, 1952

Gulf States Utilities Co. — **Preference**
(Bids noon EDT)

August 5, 1952

Pennsylvania Electric Co. — **Bonds & Preferred**
(Bids to be invited)

September 9, 1952

Arkansas Power & Light Co. — **Bonds**
(Bids to be invited)

Continued from page 37

★ Consolidated Drug Co., Inc., Washington, D. C.
June 17 (letter of notification) 2,000 shares of common stock. **Price**—$10 per share. **Proceeds** — For working capital. **Office**—3264 M St., Washington, D. C., **Underwriter**—None.

Consolidated Industries, Inc.
March 17 (letter of notification) 200,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For construction of sulphuric acid, fertilizer and wood sugar plants. **Office**—174 North Main Street, Salt Lake City, Utah. **Underwriter**—None.

Continental Oil Co., Houston, Tex.
May 14 filed $26,000,000 of interests in The Thrift Plan for employees of this company, together with 400,000 shares of capital stock (par $5) purchasable under terms of the plan. **Underwriter**—None.

Continental Royalty Co., Dallas, Tex.
March 18 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To purchase royalties and mineral deeds, oil and gas. **Office**—740 Wilson Building, Dallas Texas. **Underwriter** Southwestern Securities Co. and Hudson Stayart & Co., Inc., of Dallas, Texas.

Dean Co., Chicago, Ill.
April 10 (letter of notification) 4,000 shares of common stock (par $10). **Price**—$16.50 per share. **Proceeds**—To T. A. Dean, trustee under the will of J. R. Dean. **Office**—666 Lake Shore Drive, Chicago 11, Ill. **Underwriter**—Boettcher & Co., Denver, Colo.

Deardorf Oil Corp., Oklahoma City, Okla.
April 14 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For working capital. **Office**—219 Fidelity Bldg., Oklahoma City, Okla. **Underwriter**—None.

Deerpark Packing Co., Port Jervis, N. Y.
March 21 (letter of notification) 235,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay RFC loan of $41,050 and for working capital.

Devil Peak Uranium, Ltd. (Nev.)
April 7 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds** — For rehabilitation and development program. **Office** — Suite 839, 60 East 42nd St., New York 17, N. Y. **Underwriter**—Gardner & Co., White Plains, N. Y.

● Devon-Leduc Oils, Ltd., Winnipeg, Canada (7/1)
May 23 filed $1,000,000 of 10-year 5% convertible sinking fund mortgage bonds, due June 1, 1962. **Price**—100% of principal amount. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriter**—McLaughlin, Reuss & Co., New York.

★ Dollinger Corp.
June 17 (letter of notification) 7,500 shares of class A stock (no par) and 7,500 shares of class B stock (no par). **Price**—$20 per unit. **Proceeds**—For expansion program. **Office**—10 Lilac Drive, Rochester, N. Y. **Underwriter**—None.

Doman Helicopters, Inc.
June 2 (letter of notification) 25,000 shares of common stock (par $1) to be offered directly to company's stockholders and business associates. **Price**—$3 per share. **Proceeds**—For working capital. **Office**—545 Fifth Ave., New York 17, N. Y. **Underwriter**—None.

★ Doman Helicopters, Inc.
June 18 (letter of notification) 30,000 shares of capital stock (par $1), with warrants to be sold to stockholders. **Price**—$3 per share. **Proceeds**—For working capital. **Office**—545 Fifth Ave., New York 17, N. Y. **Underwriter**—None.

★ Dow Chemical Co. (7/15)
June 24 filed $100,000,000 of convertible debentures due July 1, 1982. **Price**—To be supplied by amendment. **Proceeds** — For expansion program. **Underwriter** — Smith, Barney & Co., New York.

Duggan's Distillers Products Corp.
May 29 (letter of notification) 94,807 shares of common stock to be offered first for subscription by present stockholders, each purchaser of 100 shares to receive a bonus of 50 shares from the holdings of Charles A. Massis, who is the principal stockholder. **Price**—75 cents per share. **Proceeds**—For working capital. **Office**—248 McWharton St., Newark, N. J. **Underwriter**—None.

★ Dundee Truck Lines, Inc., Toledo, Ohio
June 17 (letter of notification) 190 shares of common stock (par $100) and 1,000 shares of preferred stock (par $100). **Price**—Of common, at market (estimated at $226 per share); and of preferred, at par. **Proceeds** — For working capital. **Office** — 660 Sterling St., Toledo, O. **Underwriter**—None.

● Duquesne Natural Gas Co. (7/1)
May 28 (letter of notification) a maximum of 92.783 shares of common stock (par one cent) being offered for subscription by stockholders of record June 13 at rate of one new common share for each five common shares held, two new common shares for each preferred share held and six new shares of common stock for each share of preference stock held (with an oversubscription privilege). Rights expire July 15. **Price**—$1 per share. **Proceeds** — For working capital. **Underwriters** — Bioren & Co., Philadelphia, Pa.; Hourwich & Co., New York; and C. T. Williams & Co., Inc., Baltimore, Md. Unsubscribed shares (not exceeding 75,000 shares), will be publicly offered at $1.25 per share.

Eastern Stainless Steel Corp., Baltimore, Md.
April 7 (letter of notification) 4,000 shares of common stock (par $5). **Price**—At market (approximately $15 per share). **Proceeds**—To J. M. Curley, the selling stockholder. **Underwriter**—Hornblower & Weeks, New York.

● Electro-Components Corp. of America
June 11 (letter of notification) 2,998,000 shares of common stock (par one cent) being offered to stockholders of Electronic Devices, Inc. Rights expire on July 1. **Price**—10 cents per share. **Proceeds**—For payment due to Electronic Devices, Inc.; for purchase of equipment; and for working capital. **Office**—Commercial Trust Co., Philadelphia, Pa. **Underwriter**—None. To be furnished by amendment. Probably—Tellier & Co., New York.

Empire District Electric Co.
June 3 filed 150,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—The First Boston Corp., New York, and G. H. Walker & Co., St. Louis. **Offering**—Expected today.

★ Farmers Elevator Co., Richmond, Mich.
June 16 (letter of notification) $60,000 of first trust mortgage bonds. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For working capital. **Address**—P. O. Box 278, Richmond, Mich. **Underwriter**—None.

Federal Services Finance Corp., Washington, D. C.
June 2 filed $300,000 of 5½% convertible subordinated debentures, due 1962. **Price**—At par (in denominations of $100 and multiples thereof). **Proceeds**—For working capital. **Office**—718 Jackson Place N. W., Washington, D. C. **Underwriters**—Mackall & Coe, Johnston, Lemon & Co. and Goodwyn & Olds, all of Washington, D. C.

Flathead Petroleum Co., Monroe, Wash.
March 21 filed 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds** — For equipment and drilling purposes. **Underwriter**—None.

● Florida Power Corp., St. Petersburg, Fla. (7/1)
June 6 filed 309,300 shares of common stock (par $7.50) to be offered for subscription by common stockholders at rate of one new share for each five shares held on June 30, with rights to expire on July 16. **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Front Range Uranium, Inc., Denver, Colo.
June 2 (letter of notification) 500,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—Vickers Brothers, New York.

Gar Wood Industries, Inc., Wayne, Mich.
May 23 filed 95,460 shares of common stock (par $1) to be offered in exchange for United Stove Co. common stock at rate of one share of Gar Wood for each three shares of United. **Underwriter**—None. Statement effective June 13.

★ General Acceptance Corp., Allentown, Pa. (7/14)
June 24 filed $3,000,000 of 15-year 5% convertible subordinated debentures due July 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—To redeem balance of 15-year 4% convertible subordinated debentures amounting to approximately $753,000 and for working capital. **Underwriter**—Paine, Webber, Jackson & Curtis, New York.

General Contract Corp. (formerly Industrial Bancshares Corp.), St. Louis, Mo.
May 26 filed 110,000 shares of common stock (par $2), 15,500 shares of preferred stock (par $100) and 50,000 shares of preferred stock (par $20) to be offered in exchange for stock of Securities Investment Co. of St. Louis at rate of 1 1/10 shares of common stock and one-half share of $20 par preferred stock for each S.I.C. common share and one share of $100 par preferred stock for each S.I.C. $100 preferred share. **Underwriter**—None.

● General Public Utilities Corp. (7/1)
June 4 filed 531,949 shares of common stock (par $5) to be offered for subscription by common stockholders of record July 1 on the basis of one new share for each 15 shares held; rights to expire on July 23. **Price**—To be supplied by amendment. **Proceeds**—To repay notes, invest in common stocks of domestic subsidiaries and for other corporate purposes. **Underwriter**—None. Company to act as its own dealer-manager, with Merrill Lynch, Pierce, Fenner & Beane as clearing agent. **Bids**—For about 25,000 shares to be determined by competitive bidding. Probable bidders may include Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Kidder, Peabody & Co. Proceeds from this sale to be used to reimburse stockholders entitled to fractional shares.

Georgia Power Co. (7/8)
June 6 filed $20,000,000 of first mortgage bonds due 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Morgan Stanley & Co., The First Boston Corp., Lehman Brothers, Kuhn, Loeb & Co., Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Shields & Co. and Salomon Bros. & Hutzler (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected on July 8 at 11 a.m. (EDT).

★ Glen Gery Shale Brick Co.
June 17 (letter of notification) 8,000 shares of common stock (par 50 cents). **Price**—$5.62½ per share. **Proceeds**—To Addison E. Gery, selling stockholders. **Underwriter**—P. W. Brooks & Co., Inc., New York.

★ Good Hope Investors, Inc., Boise, Idaho
June 13 (letter of notification) 1,000,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For working capital. **Address**—P. O. Box 2853, Boise, Idaho. **Underwriter**—None.

● Gulf States Utilities Co. (7/22)
June 17 filed 50,000 shares of cumulative preference stock (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Blyth & Co., Inc.; Lehman Brothers and Equitable Securities Corp. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly). **Bids**—To be received at noon (EDT) on July 22 at Irving Trust Co., One Wall Street, New York, N. Y.

★ Gyrodyne Co. of America, Inc.
June 16 (letter of notification) 40,376 shares of class A common stock (par $1) being offered for subscription by all stockholders on a share-for-share basis; rights to expire on July 10. **Price**—$4.25 per share. **Proceeds**—For working capital. **Office**—Flowerfield, St. James, L. I., N. Y. **Underwriter**—None.

Hamilton Land Co., Reno, Nev.
April 14 (letter of notification) 300,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To acquire ore dumps and for oil leases and royalties. **Office**—139 North Virginia St., Reno, Nev. **Underwriter**—Nevada Securities Corp.

Hecla Mining Co., Wallace, Ida.
Jan. 17 (letter of notification) 3,000 shares of capital stock (par 25 cents). **Price**—At market (approximately $18 per share). **Proceeds**—To Mrs. M. K. Pollard, the selling stockholder. **Underwriter**—Thomson & McKinnon, New York.

Hixon Placers, Inc., Seattle, Wash.
June 9 filed 787,736 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining development, etc. **Underwriter**—None, sales to be made through agents, including officers and directors, who will receive a commission of 10 cents per share sold.

● Houston Lighting & Power Co.
May 29 filed $14,258,650 of 3¼% convertible debentures due June 30, 1967, being offered for subscription by common stockholders of record June 17 at rate of $50 principal amount of debentures for each 16⅔ shares held; rights to expire on July 7. **Price**—100% of principal amount. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Halsey, Stuart & Co., Inc., Chicago and New York. Statement effective June 18.

Huyck (F. C.) & Sons
May 16 filed 60,000 shares of cumulative convertible prior preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To redeem $5 class B preferred stock and for working capital. **Business** — Mechanical fabrics for industry and blankets and apparel cloth. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Postponed indefinitely.

★ Idaho Custer Mines, Inc.
June 16 (letter of notification) 450,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To purchase additional mining equipment. **Address**—Box 469, Wallace, Ida. **Underwriters** — Group headed by Harry F. Magnuson, Wallace, Ida.

Idaho Maryland Mines Corp.
June 6 filed 200,000 shares of common stock (par $1). **Price**—At market (on the San Francisco Stock Exchange). **Proceeds**—To selling stockholder (Gwendolyn MacBoyle Betchtold, as executrix of the last will and testament of Errol Bechtold, deceased). **Office**—San Francisco, Calif. **Underwriter**—None.

Illinois Bell Telephone Co.
May 15 filed 682,454 shares of capital stock being offered for subscription by stockholders of record May 29 at rate of one share for each four shares held; rights to expire July 1. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent (owner of 99.31% of Illinois Bell stock). **Underwriter**—None. Statement effective May 29.

Industrial Wire Cloth Products Corp.
May 16 (letter of notification) 1,700 shares of common stock. **Price** — $7.50 per share. **Proceeds** — To Kenneth Foust, the selling stockholder. **Office**—3927 Fourth St., Wayne, Mich. **Underwriter**—Manley, Bennett & Co., Detroit, Mich.

Inland Oil Co. (Nev.), Newark, N. J.
Feb. 26 (letter of notification) 599,700 shares of class A common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For drilling and equipping well and for working capital. **Office**—11 Commerce St., Newark, N. J. **Underwriter**—Weber-Millican Co., New York.

Instant Beverage. Inc., Omaha, Neb.
May 6 (letter of notification) 30,000 shares of common stock (no par). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—2716 Country Club Avenue, Omaha, Neb. **Underwriter**—None.

International Technical Aero Services, Inc.
Feb. 15 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—International Terminal, Washington National Airport, Washington, D. C. **Underwriter**—James T. DeWitt & Co., Washington, D. C.

Jersey Yukon Mines Ltd., Toronto, Canada
March 20 filed 200,000 shares of common stock (par $1). **Price**—$1 per share (Canadian funds). **Proceeds**—For capital payments on property account and option agreements, purchase of machinery and operating expenses. **Underwriter**—None.

Johnston Adding Machine Co., Carson City, Nev.
March 5 (letter of notification) 150,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To purchase tools and materials and office equipment. **Underwriter**—None.

Junction City (Kansas) Telephone Co.
Feb. 29 (letter of notification) $294,000 of first mortgage 4½% bonds, series A, due Feb. 1, 1977 (in denominations of $1,000 each). **Proceeds**—To retire bank loans. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

Justheim Petroleum Co., Salt Lake City, Utah
May 26 (letter of notification) 1,000,000 shares of common stock (par five cents). **Price**—Six cents per share. **Proceeds**—For acquisition and development of oil and gas properties. **Underwriter** — Harrison S. Brothers & Co., Salt Lake City, Utah.

★ Kawneer Co., Niles, Mich.
June 17 (letter of notification) 2,500 shares of common stock (no par). **Price** — $24 per share. **Proceeds** — To Henry W. Zimmer, the selling stockholder. **Underwriter** —Thomson & McKinnon, New York.

Kirk Uranium Corp., Denver, Colo.
March 24 (letter of notification) 1,000,000 shares of common stock. **Price** — 30 cents per share. **Proceeds** — For exploration work. **Office** — 405 Interstate Trust Building, Denver, Colo. **Underwriter**—Gardner & Co., White Plains, N. Y.

Lapaco Chemicals, Inc., Lansing, Mich.
March 18 (letter of notification) 200,787 convertible notes (each note convertible into $1 par class B stock). **Price**—90 cents each. **Proceeds** — For working capital and investment. **Office**—1800 Glenrose Ave., Lansing 2, Mich. **Underwriter**—None.

LaPointe-Plascomold Corp.
May 29 filed 230,485 shares of common stock (par $1), of which 190,485 shares are to be offered for subscription by stockholders of record June 18 at rate of one share for each share held, and 40,000 shares are to be issued upon exercise of stock options by officers and employees. **Price**—$2.75 per share. **Business**—Manufacture of television accessories. **Underwriter**—None.

Lawton Oil Corp., Magnolia, Ark.
June 9 (letter of notification) 100,000 shares of common stock (no par). **Price**—$2.25 per share. **Proceeds**—For exploration work. **Underwriter**—W. R. Stephens Investment Co., Inc., Little Rock, Ark.

★ Lily-Tulip Cup Corp.
June 23 (letter of notification) not in excess of 63 shares of common stock (no par). **Price**—At market (estimated at $55.87½ per share. **Proceeds**—To holders of scrip issued in connection with payment of 75% stock dividend. **Underwriter**—None.

Magar Home Products, Inc., Geneva, Ill.
May 22 (letter of notification) 3,000 shares of common stock (par one cent). **Price**—At market (approximately 75 cents per share). **Proceeds**—To T. E. Myers, the selling stockholder. **Office**—15 South First Street, Geneva, Ill. **Underwriter**—Reynolds & Co., New York, and Chicago, Ill.

• Martin (Glenn L.) Co. (6/30)
May 29 filed 761,859 shares of common stock (par $1) to be offered for subscription by stockholders of record on June 30 (other than Glenn L. Martin) at the rate of nine shares for each 10 shares held; rights to expire on July 22. **Price**—$6 per share. **Proceeds**—To repay convertible notes. **Underwriter**—None.

Mayfair Markets, Los Angeles, Calif.
June 3 (letter of notification) 5,000 shares of preferred stock (par $50) and 5,000 shares of common stock (no par) to be offered in units of one preferred and one common share. **Price**—$60 per unit. **Proceeds**—To pay expansion costs. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

• McCarthy (Glenn), Inc., Houston, Tex. (7/7)
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex.

Metals & Chemicals Corp., Dallas, Tex. (7/3)
June 13 filed 200,000 shares of capital stock (par 10 cents) of which 190,000 shares will be offered to the public. **Price**—$3 per share. **Proceeds**—To repay debt and for development of mine properties. **Business**—Mining in Costa Rica. **Underwriter**—Beer & Co., Dallas, Tex.

Middlesex Water Co.
June 4 (letter of notification) 5,200 shares of common stock (no par) being offered for subscription by both preferred and common stockohlders at the rate of one share of new stock for each five shares of either class of stock held as of record June 10; rights will expire July 1. **Price**—$50 per share. **Proceeds**—To repay bank loans. **Underwriter**—Clark, Dodge & Co., New York.

Midwest Pipe & Supply Co., Inc.
May 19 filed 100,938 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To go to selling stockholders. **Underwriter**—G. H. Walker & Co., St. Louis and New York. Offer expected today.

• Missouri Utilities Co., Cape Girardeau, Mo.
June 13 (letter of notification) 18,280 shares of common stock (par $1) being offered for subscription by common stockholders of record June 16 at rate of one new share for each 14 shares held (with oversubscription privileges); rights to expire on June 30. **Price**—$15.50 per share. **Proceeds**—For general funds. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo.

Monogram Pictures Corp., Hollywood, Calif.
June 9 (letter of notification) 12,500 shares of common stock (par $1). **Price**—$3.25 per share. **Proceeds**—To W. Ray Johnston, the selling stockholder. **Underwriter**—F. C. Masterson & Co., New York.

Monty's Stores, Inc., Seattle, Wash.
May 16 (letter of notification) $100,000 of 7% 10-year convertible bonds (in denominations of $500 and $1,000 each) and 10,000 shares of common stock (par $10). **Price**—At par. **Proceeds**—For working capital and expansion. **Office**—208 Third Ave., South, Seattle, Wash. **Underwriter**—National Securities Corp., Seattle, Wash.

★ Morris Paper Mills, Chicago, Ill.
June 19 (letter of notification) 3,200 shares of common stock (par $10). **Price**—$30.50 per share. **Proceeds**—To Foreman M. Lebold, Samuel N. Lebold and A. G. Ballenger, company officers. **Office**—135 S. La Salle St., Chicago, Ill. **Underwriter**—Hallgarten & Co., Chicago, Ill.

Morrow (R. D.) Co., Inc., Pittsburgh, Pa.
May 5 (letter of notification) 10,000 shares of 5% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—For financing of Master TV antenna systems in apartment houses on a lease basis and for additional working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

Motion Picture Advertising Service Co., Inc. (La.)
May 22 (letter of notification) 20,487 shares of common stock (no par), being offered for subscription by stockholders of record May 22 at rate of one share for each four shares held; rights to expire on June 30. **Price**—$8 per share to stockholders and $8.50 per share to public. **Proceeds** — To expand company's film production and distribution facilities. **Underwriter**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.

Mt. Vernon (O.) Telephone Co.
June 2 (letter of notification) 2,000 shares of 5% cumulative preferred stock to be offered initially to present preferred stockholders. **Price**—At par ($100 per share). **Proceeds**—To repay temporary bank loans. **Office**—15 E. Gambier St., Mt. Vernon, O. **Underwriter**—None.

Mullins Manufacturing Corp., Salem, Ohio
June 9 filed 82,000 shares of common stock (par $1), to be issued to certain supervisory employees under a stock option plan. **Underwriter**—None.

★ National Shirt Shops of Delaware, Inc.
June 19 (letter of notification) 1,000 shares of common stock (par $1). **Price**—$11.75 per share. **Proceeds**—To a selling stockholder. **Office**—315 Fourth Ave., New York, N. Y. **Underwriter**—None.

Nev-Tah Oil & Mining Co., Salt Lake City, Utah
June 12 (letter of notification) 600,000 shares of common stock (par 5 cents). **Price**—10 cents per share. **Proceeds** — For expansion of operations. **Underwriter** — Cromer Brokerage Co., Salt Lake City, Utah.

• New England Power Co.
May 28 filed $5,000,000 of first mortgage bonds, series E, due June 1, 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — Issue was awarded June 25 to Halsey, Stuart & Co., Inc., on a bid of 100.30% for a 3¼% coupon. Reoffering planned at 100.87½% and accrued interest. Statement effective June 16.

New Mexico Jockey Club, Albuquerque, N. M.
March 17 filed 1,255 shares of common stock (par $1,000). **Price**—At par. **Proceeds**—To construct racing plant and for working capital. **Underwriter**—None, but Dr. Frank Porter Miller of Los Angeles, Calif., will be "engaged to sell the securities to the public." Statement effective April 5 through lapse of time. Amendment necessary.

★ North American Acceptance Corp.
June 18 (letter of notification) 14,010 shares of 60-cent dividend series preferred stock (par $5) and 24,543 shares of class A stock to be offered in exchange for General Finance Corp. preferred and common stock, the preferred stock on a share-for-share basis, and three shares of North American common stock (par $9 per share) for each General common share.

★ Omaha Body & Equipment Co., Inc., Omaha, Neb.
June 16 (letter of notification) $135,000 of 5½% debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For working capital. **Office**—24th and Vinton St., Omaha, Neb. **Underwriter**—The First Trust Co. of Lincoln (Neb.).

★ One Hundred Associates of America, Inc.
June 18 (letter of notification) 9,000 shares of preferred stock. **Price**—At par ($10 per share). **Proceeds** — For working capital. **Office**—29 Broadway, New York. **Underwriter**—Martin Lasher, Brooklyn, N. Y.

Pacific Gas & Electric Co.
May 21 filed 2,271,300 shares of common stock (par $25) being offered for subscription to stockholders of record June 10 in ratio of one share for each five shares held; rights to expire July 2 with subscription period to open June 16. **Price**—$30 per share. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York. Statement effective June 10.

★ Pacific Casket Co., Seattle, Wash.
June 9 (letter of notification) 1,500 shares of common stock. **Price**—$100 per share. **Proceeds** — To purchase assets of California Casket Co., Seattle, Wash., and for working capital. **Office**—508 Third West, Seattle, Wash. **Underwriter**—None.

★ Peerless Casualty Co., Keene, N. H. (7/1)
June 20 filed 100,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record July 1 at the rate of 5/12ths of a share for each share held. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Geyer & Co., Inc., New York.

• Penobscot Chemical Fibre Co. (6/30)
June 11 filed $1,250,000 of first mortgage bonds, due July 1, 1972. **Price**—To be supplied by amendment. **Proceeds**—For expansion costs. **Business**—Wood chemicals. **Underwriters**—Coffin & Burr, Inc. and Chase, Whiteside, West & Winslow, Inc., both of Boston, Mass.

Petroleum Finance Corp.
Feb. 5 (letter of notification) 60,000 shares of common stock (par $1) and 30,000 warrants to purchase 30,000 shares of common stock (warrants exercisable at $7.50 per share on or prior to April 1, 1954). Each purchaser of two common shares will receive one warrant. **Price**—$5 per share. **Proceeds**—For working capital. **Office**—Oklahoma City, Okla. **Underwriter**—George F. Breen, New York.

Power Condenser & Electronics Corp.
May 2 (letter of notification) $285,000 of 10-year 5% income notes due May 1, 1962, and 11,400 shares of common stock (par $1), to be sold in units of one $1,000 note and 30 shares of common stock. **Price**—$1,000 per unit. **Proceeds**—For working capital. **Office** — 60 State St., Boston, Mass. **Underwriter**—None.

★ Pubco Development, Inc., Albuquerque, N. M. (7/15)
June 25 filed subscription warrants for 605,978 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire existing indebtedness and purchase additional oil and gas leases. **Underwriter** —Allen & Co., New York.

• Public Service Co. of New Hampshire
May 28 filed 50,000 shares of preferred stock (par $100). **Proceeds**—For new construction and to repay short-term borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co., Inc. **Bids**—Only one bid was received on June 23, viz: 100.2 for a 5.60% dividend by Kidder, Peabody & Co. and Blyth & Co., Inc. This bid was rejected. Statement effective June 16.

• Public Service Co. of New Mexico
May 28 filed 173,136 shares of common stock (par $5) being offered for subscription by common stockholders at rate of one new share for each seven shares held on June 17; with rights to expire July 8. **Price**—$8 per share. **Proceeds**—For new construction. **Underwriter**—Allen & Co., New York. Statement effective June 17.

• Pyramid Oil & Gas Corp. (7/7)
June 5 (letter of notification) 162,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For development of oil and gas holdings. **Office**—825 First St., West Palm Beach, Fla. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

★ Reis (Robert) & Co.
June 20 (letter of notification) 9,000 shares of $1.25 dividend prior preference stock (par $10) and 39,000 shares of common stock (par $1). **Price**—Of preferred, $6.62½ per share and of common stock, $1 per share. **Proceeds**—To selling stockholders. **Underwriter**—Lehman Brothers, New York.

St. Louis Midwest Co., St. Louis, Mo.
May 29 filed 55,000 shares of common stock (par $1) to be offered to a limited group of persons active in the management and affairs of Midwest Piping & Supply Co., Inc., St. Louis, Mo. **Price**—To be supplied by amendment. **Proceeds**—To purchase 55,000 shares of Midwest Piping common stock owned by the trustee under the wills of Hugo F. Urbauer and Ina C. Urbauer, deceased. **Underwriter** — G. H. Walker & Co., St. Louis, Mo., for unsubscribed shares.

Shawmut Association, Boston, Mass.
April 30 (letter of notification) 200 shares of common stock (no par). **Price**—At market (approximately $19 per share). **Proceeds**—To Walter S. Bucklin, the selling stockholder. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

Signal Mines, Ltd., Toronto, Canada
March 17 filed 600,000 shares of common stock of which 500,000 shares are for account of company. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs and working capital. **Underwriter**—Northeastern Securities Ltd.

Smith (S. Morgan) Co., Inc., York, Pa.
May 29 filed 100,000 shares of capital stock (par $10), of which an unspecified number of shares are to be offered initially to stockholders who have not waived their preemptive rights to subscribe thereto. **Price**—To be supplied by amendment. **Proceeds** — From sale of stock, together with $3,500,000 to be received from private sale of an issue of sinking fund notes, to be used to repay bank loans, for expansion of plant facilities and for working capital. **Underwriter** — The First Boston Corp., New York. **Offering**—Expected today.

★ Sooner State Oil Co., Inc., Oklahoma City, Okla.
June 19 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To develop oil and gas properties and for working capital. **Office**—Braniff Bldg., Oklahoma City, Okla. **Underwriter** —Israel & Co., New York. **Offering**—Now being made.

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South Atlantic Gas Co., Savannah, Ga.
June 5 (letter of notification) 29,600 shares of common stock. **Price**—$10 per share. **Proceeds**—To pay off bank debt. **Underwriters**—Johnson, Lane, Space & Co., Inc., Savannah, Ga.; Grimm & Co., New York.

● **South Jersey Gas Co. (7/8)**
June 6 filed 154,230 shares of common stock (par $5). **Proceeds**—To The United Corp., the selling stockholder. **Underwriter**—To be determined by competitive bidding Probable bidders: Kidder, Peabody & Co. and Allen & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp. **Bids**—To be received up to 11 a.m. (EDT) on July 8 at 70 East 45th Street, New York, N. Y.

● **Southern Co., Wilmington, Del.**
May 16 filed 1,004,510 shares of common stock (par $5) being offered by company for subscription by common stockholders of record June 19 at rate of one share for each 16 shares held; rights to expire July 10. **Price**—$12.75 per share. **Proceeds**—To increase investments in subsidiaries in furtherance of their construction programs. **Underwriter**—Lehman Brothers, who were awarded issue on June 18. Statement effective June 4.

★ **Southern Discount Co., Atlanta, Ga.**
June 17 (letter of notification) $100,000 of 5% debentures, series F. **Price**—At par. **Proceeds**—For working capital. **Office**—220 Healy Bldg., Atlanta, Ga.

Southwestern Porcelain Steel Corp., Sand Springs, Okla.
June 11 (letter of notification) 6,000 shares of capital stock (par $10). **Price**—$12 per share. **Proceeds**—For expansion. **Underwriter**—Walter F. Hurt, Tulsa, Okla.

● **Staley (A. E.) Manufacturing Co. (7/8)**
June 17 filed $12,000,000 sinking fund debentures due July 1, 1977. **Price**—To be supplied by amendment. **Purpose**—To retire 3% debentures due 1959 and for general corporate purposes. **Underwriters**—Smith, Barney & Co. and The First Boston Corp. of New York.

Storer Broadcasting Co.
May 19 filed 215,000 shares of common stock (par $1), of which 200,000 shares are being sold by certain selling stockholders (170,000 to be offered publicly and 10,000 to certain employees; and 20,000 shares to the underwriters under option agreement) and the remaining 15,000 shares being reserved for sale by company to certain employees. **Price**—Of first 200,000 shares, to be supplied by amendment; of 15,000 shares by company, $10.62½ per share. **Proceeds**—For general corporate purposes. **Underwriters**—Reynolds & Co., New York, and Oscar E. Dooly & Co., Miami, Fla. **Offering**—Temporarily postponed.

★ **Suntide Refining Co., Corpus Christie, Tex. (7/14-17)**
June 23 filed $7,000,000 of 19-year debentures due July 1, 1982, and 1,200,000 shares of common stock (par one cent) of which the debentures and 700,000 shares of stock will be offered publicly in units of $50 of debentures and five shares of stock, 220,000 shares will be sold to a group of selected persons and 280,000 shares will be sold to the underwriter. **Price**—To be supplied by amendment. **Proceeds**—To finance operation of refinery. **Underwriter**—Eastman, Dillon & Co., New York. **Offering**—Expected week of July 14.

Texas Eastern Transmission Corp.
June 2 filed 250,000 shares of cumulative convertible preferred stock (par $100). **Price** — To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Dillon, Read & Co., Inc., New York. **Offering**—Expected today.

★ **Texas Gas Transmission Corp., Owensboro, Tenn. (7/9)**
June 19 filed 350,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriter**—Dillon, Read & Co. Inc., New York.

Texas General Production Co.
June 4 filed 2,500,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To buy property for oil prospecting. **Office**—Houston, Tex. **Underwriter**—To be named by amendment (probably Hemphill, Noyes, Graham, Parsons & Co., New York. **Offering**—Tentatively postponed.

Thor Corp., Chicago, Ill.
June 11 (letter of notification) 13,400 shares of capital stock (par $20). **Price**—$13 per share. **Proceeds**—For working capital. **Office**—2115 S. 54th Avenue, Chicago, Ill. **Underwriter**—None.

Tiger Tractor Corp., Keyser, W. Va.
May 13 (letter of notification) 180,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—East and Mozelle St., Keyser, W. Va. **Underwriter**—None.

● **Trans-Canada Petroleums, Ltd., Montreal, Canada**
May 1 filed 1,000,000 shares of common stock (par $1) (reduced to 500,000 shares by amendment filed June 20). **Price**—$1.50 per share. **Proceeds**—For exploration and drilling. **Underwriter**—George F. Breen, New York.

Tri-State Petroleum Co., Inc.
May 19 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For oil well development in New Mexico. **Office**—407 Shipley St., Wilmington 1, Del. **Underwriter**—Calvert Securities Corp., Wilmington, Del.

Uarco Inc., Chicago, Ill.
May 5 (letter of notification) 2,800 shares of common stock (par $10). **Price**—At market (estimated at $20.50 per share). **Proceeds**—To George Buffington, the selling stockholder. **Underwriter**—Kidder, Peabody & Co., New York.

★ **United Funds, Inc., Kansas City, Mo.**
June 20 filed $12,000,000 of periodic investment plans and 1,200,000 United Accumulative Fund Shares. **Price**—At the market. **Proceeds**—For investment. **Underwriter**—Waddell & Reed, Inc., Kansas City, Mo.

Victor Chemical Works, Chicago, Ill.
June 9 filed 65,470 shares of common stock (par $5), issuable upon exercise prior to April 1, 1962 of stock options granted to designated employees. **Proceeds**—To be added to general funds of company and used for general corporate purposes. **Underwriter**—None.

★ **Voss Oil Co., Newcastle, Wyo.**
June 16 (letter of notification) 280,000 shares of common stock. **Price**—At par ($1 per share.) **Proceeds**—To finance oil well drilling. **Underwriter**—None.

Washington Gas Light Co. (7/2)
June 12 filed 104,915 shares of common stock (no par), to be offered for subscription by common stockholders of record July 1 at rate of one share for each seven shares held; rights to expire on July 18. **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—The First Boston Corp., New York, and Johnston, Lemon & Co., Washington, D. C.

Wickes Corp., Saginaw, Mich.
June 9 (letter of notification) 1,800 shares of capital stock. **Price**—$8.50 per share. **Proceeds**—To Thomas C. Harvey, the selling stockholder. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, Saginaw, Mich.

★ **Zeigler Coal & Coke Co., Chicago, Ill.**
June 19 (letter of notification) 7,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To Nancy L. Clagett and Thomas Leiter. **Office**—21 East Van Buren St., Chicago, Ill. **Underwriter**—Farwell, Chapman & Co., Chicago, Ill.

Prospective Offerings

Aeroquip Corp.
Jan. 4, Don T. McKone, Chairman, announced that consideration was being given to the possibility of equity financing. On Feb. 18, stockholders voted to increase the authorized common stock to 1,000,000 from 750,000 shares, and to issue 37,500 shares as a 5% stock dividend. **Underwriter**—Watling Lerchen & Co., Detroit, Mich. **Proceeds**—For additional working capital.

Allis-Chalmers Manufacturing Co.
May 12 it was reported company may do some financing, the nature of which has not yet been determined. **Underwriter**—Blyth & Co., Inc.

American Barge Line Co.
May 27 stockholders approved a proposal to increase the authorized common stock (par $5) from 330,000 to 430,000 shares and approved a waiver of preemptive rights to subscribe for any of the additional shares. **Proceeds**—To finance purchase of equipment and terminal and warehouse facilities. **Traditional Underwriter**—F. Eberstadt & Co., Inc., New York.

● **American President Lines, Ltd.**
June 12 it was announced Riggs National Bank, Washington, D. C., will advertise for bids within 90 days for the sale of the stock of this company at an upset price of $13,000,000. **Proceeds**—To be divided equally between the government and the Dollar interests. If stock is not sold for $14,000,000 or more, the stock would be divided equally between the two parties, the Government to then dispose of its holdings. **Registration**—Expected within the next two months.

● **Arkansas Power & Light Co. (9/9)**
June 20 it was reported company plans issue and sale of $15,000,000 first mortgage bonds due 1982. **Proceeds**—For new construction. **Bids**—Tentatively scheduled to be received on Sept. 9. **Registration**—Planned for Aug. 4. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp., and Central Republic Co. (Inc.) (jointly); Lehman Brothers and Stone & Webster Securities Corp. (jointly); Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.

Associated Telephone Co., Ltd. (Calif.)
June 9 it was reported company may issue and sell in October about $8,000,000 to $9,000,000 of first mortgage bonds, series H, due 1982. **Proceeds**—For repayment of bank loans and construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Paine, Webber, Jackson & Curtis; White, Weld & Co.

Atlantic City Electric Co.
April 28 it was announced company may sell about $4,000,000 of preferred stock some time this Fall. **Proceeds**—For construction program. **Underwriters**—Probably Union Securities Corp. and Smith, Barney & Co., New York. Debt financing for approximately $3,000,000 planned in 1953.

Banff Oil Co., Ltd. (Canada)
May 6 it was reported company plans to issue and sell an issue of about 1,000,000 shares of common stock. **Proceeds**—For drilling and exploration costs. **Registration**—Expected early in June with offering later in month. **Underwriter**—Lehman Brothers, New York.

California Electric Power Co.
May 8 it was reported company plans to issue and sell between $4,000,000 and $4,500,000 first mortgage bonds by competitive bidding and about $2,500,000 of preferred stock and $2,500,000 common stock probably through negotiated sale. Probable bidders for bonds: Halsey, Stuart & Co. Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Salomon Bros. & Hutzler. Underwriters for stock: Probably William R. Staats & Co.; Lester, Ryons & Co.; and Walston, Hoffman & Goodwin.

★ **Camden Trust Co., Camden, N. J.**
June 18 common stockholders of record June 3 were offered 125,000 additional shares of common stock (par $5) at rate of one new share for each three shares held; rights expire June 30. **Price**—$20 per share. **Proceeds**—To retire 250,000 shares of outstanding preferred stock at $10 per share. **Underwriter**—None.

Canadian Palmer Stendel Oil Corp.
April 18 it was reported that 1,820,857 shares of common stock are to be offered for subscription by stockholders of Palmer Stendel Oil Corp. on a 1-for-2 basis. **Price**—At par (25 cents per share). **Underwriter**—Burnham & Co., New York.

Carolina Natural Gas Corp.
May 19 company sought FPC authority to a new 40-mile transmission line estimated to cost $3,150,000, to be financed by the issuance of $1,600,000 first mortgage bonds, $750,000 15-year debentures and $800,000 common stock. **Traditional Underwriter** — R. S. Dickson & Co., Charlotte, N. C.

Central Hudson Gas & Electric Corp.
March 4 it was reported company plans the sale this Fall of about $5,500,000 first mortgage bonds. Latest bond financing was done privately in March, 1951 through Kidder, Peabody & Co.

Central Maine Power Co.
May 15 stockholders increased authorized common stock (par $10) from 2,500,000 shares to 3,250,000 shares and preferred stock (par $100) from 300,000 shares to 330,000 shares. It is estimated that additional financing necessary this year will be in excess of $8,500,000.

Cincinnati Enquirer, Inc.
June 5 this corporation was formed to take over the Cincinnati Enquirer for the sum of $7,600,000, of which $6,000,000 will be raised through the sale of bonds and by issue of capital stock of which the purchase of about $1,900,000 has been pledged. **Underwriter**—For bonds: Halsey, Stuart & Co. Inc., Chicago and New York.

Citizens Utilities Co.
June 16, Richard L. Rosenthal announced that company anticipated doing some permanent financing in 1952, and it was planned that this would be in the form of mortgage bonds and debentures. No common stock financing is presently contemplated.

Columbus & Southern Ohio Electric Co.
April 26 it was announced company expects to enter the permanent financing market about the middle of 1952 with not less than 200,000 shares of new common stock. **Proceeds** — For construction program. **Underwriter** — Dillon Read & Co., Inc., New York.

Connecticut Light & Power Co.
March 1 it was announced that it is presently estimated that approximately $11,000,000 of additional capital will be required during the latter half of 1952.

Consolidated Gas, Electric Light & Power Co. of Baltimore
Dec. 24 it was stated that company plans to issue and sell both stocks and bonds during 1952 to an amount sufficient to raise approximately $22,000,000. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc. and Alex. Brown & Sons (jointly). The First Boston Corp., Alex. Brown & Sons and John C. Legg & Co (jointly) handled latest common stock financing, while White, Weld & Co. handled last preferred stock sale. **Proceeds**—For new construction.

Copperweld Steel Co.
April 30 stockholders approved a proposal to increase the authorized indebtedness from $5,000,000 to $15,000,000 (none presently outstanding) and the authorized preferred stock (par $50) to 137,727 shares from 37,727 shares, which are all outstanding. **Traditional Underwriter**—Riter & Co., New York.

Creameries of America, Inc.
April 14, G. S. McKenzie, President, stated that the company may do some long-term borrowing in about two months to finance expansion program. **Traditional Underwriters** — Kidder, Peabody & Co. and Mitchum, Tully & Co.

★ Decca Records, Inc.
June 19 the directors authorized an offering of approximately 275,000 additional shares of capital stock to stockholders at the rate of one new share for each 2.85 shares held. **Underwriters** — Reynolds & Co. and Laurence M. Marks & Co., both of New York. **Offering**—Expected in July.

Deere & Co. (7/15)
June 6 it was announced company plans to raise $70,000,000 from the sale of new securities, viz: $50,000,000 of debentures and $20,000,000 of common stock. Stockholders on June 30 will vote on splitting up the common stock on a two-for-one basis, by issuance of two no par shares for each present outstanding $10 par share. **Proceeds**—For plant expansion and working capital. **Registration**—Tentatively scheduled for June 25. **Offering**—Expected on July 15. **Underwriter**—Harriman Ripley & Co., Inc., New York.

Duquesne Light Co.
May 13 it was announced stockholders will vote July 8 on increasing authorized preferred stock (par $50) from 800,000 shares to 1,000,000 shares. **Underwriters**—To be determined by Competitive bidding. Probable bidders: The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly).

• European American Airlines, Inc.
June 11 it was reported company plans to raise an additional $400,000 of equity capital. An issue of $200,000 of capital stock was just recently placed privately at $7.50 per share. **Underwriter** — Gearhart, Kinnard & Otis, Inc., New York.

Food Fair Stores, Inc.
May 20 it was announced stockholders will vote Aug. 19 on increasing authorized indebtedness from $12,000,000 to $25,000,000 and to increase the authorized common stock from 2,500,000 to 5,000,000 shares. No immediate issuance of either debt securities or of common stock is contemplated. **Traditional Underwriter**—Eastman, Dillon & Co., New York.

Glass Fibres, Inc.
April 7 stockholders voted to increase authorized common stock from 1,000,000 shares (approximately 938,000 shares outstanding) to 1,250,000 shares to provide additional stock for future expansion needs. **Traditional Underwriter**—McCormick & Co., Chicago, Ill.

Globe-Wernicke Co.
March 26 stockholders increased authorized common stock from 300,000 shares (par $5) to 600,000 shares (par $7), placing the company in a position to consider from time to time stock dividends and the giving of stock rights or warrants to present stockholders. **Underwriters**—May include Westheimer & Co., Cincinnati, O. Previous public financing handled by W. E. Hutton & Co. and W. D. Gradison & Co., also of Cincinnati.

★ Haloid Co.
June 18 it was reported company may sell this Fall an issue of convertible preferred stock. **Traditional Underwriter**—The First Boston Corp., New York.

Honolulu (City and County of)
May 20 it was announced it is planned to issue and sell $6,000,000 bonds for construction of the Kalihi tunnel, $5,000,000 bonds for public school program, $1,600,000 bonds for public improvements and $1,000,000 for flood control.

Idaho Power Co.
Feb. 27 T. E. Roach, President, announced that the company's present plans consist of the sale this summer of about 225,000 additional shares of common stock (par $20), but no preferred stock. **Price**—At a minimum of $35 per share net to company. **Underwriters** — Latest common stock financing in April, 1949, was handled by Blyth & Co., Inc.; Lazard Freres & Co.; and Wegener & Daly Corp. **Proceeds**—To repay bank loans and for construction program.

• Illinois Central RR.
May 26 the Interstate Commerce Commission authorized the company to issue and sell not exceeding $25,000,000 of consolidated mortgage 30-year 4¼% bonds, series D, due June 1, 1982, of which $13,000,000 thereof will be sold presently and the remaining $12,000,000 on or about April 1, 1954, at par and accrued interest to seven insurance companies. The proceeds are to be used to pay, in part, $26,684,500 of outstanding bonds maturing in the period 1952 to 1955, inclusive.

Illinois Terminal RR. (7/2)
Bids will be received by the company at 710 No. 12th Boulevard, St. Louis 1, Mo., up to noon (CDT) on July 2 for the purchase from it of $1,660,000 equipment trust certificates, series E, to be dated July 1, 1952 and to mature semi-annually from Jan. 1, 1953 to and including July 1, 1962. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Bear, Stearns & Co.

Kansas City Power & Light Co.
Jan. 4 company announced that it plans to issue and sell in 1952 about $12,000,000 principal amount first mortgage bonds (this is in addition to present preferred and common stock financing. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

Laclede Gas Co.
See Mississippi River Fuel Corp. below.

Lake Shore Gas Co., Ashtabula, Ohio
June 11 company received permission of the Ohio P. U. Commission to issue and sell 10,000 shares of common stock (par $10) $1,450,000 of bonds and $300,000 of promissory notes. **Proceeds**—For expansion program.

Lone Star Gas Co.
April 1 the FPC authorized the company to acquire additional properties at a cost of $5,598,129 and to build an additional 69.5 miles of transmission line at a cost of $4,010,200. It is also planned to spend about $31,000,000 in 1952 for additions to plant. Previous financing was done privately.

★ Louisville & Nashville RR. (7/2)
Bids are expected to be received by the company up to 11 a.m. (EDT) for the purchase from it of $9,570,000 equipment trust certificates, series L, to be dated July 15, 1952 and mature annually from 1953 to 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

Maracaibo Oil Exploration Corp.
May 5 stockholders voted to increase the authorized $1 par value capital stock from 500,000 to 600,000 shares. No financing presently planned. No underwriting was involved in offer to common stockholders last October.

Middle East Industries Corp., N. Y.
Oct. 31 it was announced company plans to expand its capitalization in the near future and to register its securities with the SEC preliminary to a large public offering, the funds to be used to build new industrial projects in Israel.

Minabi Exploration Co., Houston, Tex.
March 21 it was reported early registration is expected of 125,000 shares of common stock. **Proceeds**—To go to certain selling stockholders. **Underwriter** — Moroney, Beissner & Co., Houston, Tex.

Mississippi Power & Light Co.
March 14 it was reported company plans to issue and sell in November an issue of $8,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.

Mississippi River Fuel Corp.
W. G. Marbury, President, on May 26 announced that company will attempt to acquire control of Laclede Gas Co. as authorized by directors on May 22. This acquisition would cost about $20,000,000, with Laclede stockholders being offered cash or stock of Mississippi River Fuel Corp. in exchange for their holdings. If control cannot be acquired, Mississippi then will sell the 248,400 Laclede shares it now holds. **Underwriter**—Probably Union Securities Corp., New York.

Nevada Natural Gas Pipe Line Co., Las Vegas, Nevada
Feb. 8 company applied to FPC for authority to construct a 114-mile pipeline from near Topock, Ariz., to Las Vegas, Nev., at an estimated cost of $2,400,880, to be financed by sale of $1,600,000 first mortgage bonds, $500,000 preferred stock and $402,500 common stock.

New England Telephone & Telegraph Co.
Dec. 20, F. A. Cosgrove, Vice-President, said a permanent financing program will have to be undertaken in 1952 to repay about $43,000,000 short-term bank borrowings. **Underwriters**—For bonds may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. In case of common stock financing there will be no underwriting.

New Jersey Power & Light Co.
April 8 it was reported company plans tentatively to issue and sell $3,200,000 of bonds, $1,000,000 of preferred stock and $400,000 of common stock (latter to be sold to General Public Utilities Corp., parent). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); Kidder, Peabody & Co.; Smith, Barney & Co.; Union Securities Corp.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler.

New York Central RR.
May 5, it was reported company may issue and sell $12,000,000 of equipment trust certificates to mature annually 1953-1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Bear, Stearns & Co.; Salomon Bros. & Hutzler.

Niagara Mohawk Power Corp.
May 6 stockholders voted to increase authorized common stock by 1,500,000 shares (11,094,663 shares presently outstanding). This places company in a flexible position with respect to formulation of future financial programs. Earle J. Machold, President, said bank loans, totaling $40,000,000 to be outstanding at Dec. 31, 1952, will be permanently financed early in 1953. **Underwriters** — To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

Pennsylvania Electric Co. (8/5)
June 3 it was announced that company plans to issue and sell $9,500,000 first mortgage bonds and $4,500,000 of preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc., Kidder, Peabody & Co., Union Securities Corp. and White, Weld & Co. (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co., Inc., Equitable Securities Corp., The First Boston Corp., Shields & Co. and R. W. Pressprich & Co. (jointly);. (2) for preferred—Smith, Barney & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; Union Securities Corp.; The First Boston Corp. **Registration**—Expected any day. **Bids**—To be opened Aug. 5.

Permian Basin Pipeline Co., Chicago, Ill.
April 1 company applied to FPC for authority to construct a 384-mile pipeline system from west Texas and eastern New Mexico to the Panhandle area of Texas at an estimated cost of $58,180,000. Probable underwriters for convertible notes and stock; Stone & Webster Securities Corp.; and Glore, Forgan & Co., both of New York.

• Pillsbury Mills, Inc.
June 4 it was announced stockholders on June 30 will vote on approving a proposal to issue and sell about $5,000,000 of common stock and to increase indebtedness of the company by $5,000,000. **Proceeds** — For expansion. **Underwriters**—Goldman, Sachs & Co., New York, and Piper, Jaffray & Hopwood, Minneapolis, Minn. **Offering**—Expected in July or August.

Potomac Electric Power Co.
April 16, R. R. Dunn, President, announced company plans to raise about $40,000,000 of new money in connection with its $62,000,000 construction program in the years 1952, 1953 and 1954. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Stone & Webster Securities Corp. and Union Securities Corp. (jointly); First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co. and Blyth & Co. Inc. (jointly); Dillon, Read & Co. Inc.; Harriman Ripley & Co., Inc.

Pressed Steel Car Co., Inc.
April 17 stockholders approved a proposal to increase the authorized common stock from 1,280,000 shares to 3,280,000 shares (1,045,500 shares presently outstanding). The new shares would be issued when directors decide, in connection with diversification program. No immediate financing is planned. **Traditional Underwriter**—Kuhn, Loeb & Co., New York.

St. Joseph Light & Power Co.
May 21 stockholders authorized an increase in funded indebtedness by $1,500,000 as needed by Dec. 31, 1954, to finance the company's construction program in part. It is also planned to issue 5,000 authorized shares of preferred stock (par $100).

Sapphire Petroleums, Ltd.
May 20 it was reported company may do about $2,000,000 of new financing (including an issue of convertible debentures). **Proceeds** — For acquisition of properties and for development expenses. **Underwriters** — To include Frame, McFadyen & Co., Toronto, Canada.

Scott Paper Co.
April 24 stockholders approved a proposal to increase the authorized common stock from 3,000,000 to 5,000,000 shares, and the authorized indebtedness from $4,000,000 to $25,000,000. The company said it will announce later any plans for future financing. **Underwriters**—Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane; and Smith, Barney & Co.

Southern California Edison Co.
April 18 it was reported company plans to obtain between $25,000,000 and $28,000,000 of new capital through the sale of additional securities. **Proceeds**—For new construction. **Underwriters** — Probably The First Boston Corp.; Harris, Hall & Co. (Inc.) **Offering**—Expected in Fall.

Southern Natural Gas Co.
March 3 company filed with FPC a $76,000,000 expansion program to bring natural gas into its Alabama, Georgia and Mississippi service areas.

Standard Forgings Corp.
April 25 stockholders approved an increase in authorized common stock from 266,000 shares to 350,000 shares. **Traditional Underwriter**—Shields & Co., New York.

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Texas-Ohio Gas Co., Houston, Tex.
Oct. 17 company applied to FPC for authority to construct a 1,350-mile natural gas transmission line extending from Texas into West Virginia. The project is estimated to cost $184,989,683. **Underwriter**—Kidder, Peabody & Co., New York.

★ Toklan Royalty Corp.
June 19 it was reported company is planning bond financing. **Underwriter**—Burnham & Co., New York.

Transcontinental Gas Pipe Line Corp.
March 14 it was reported company plans issuance and sale this Fall of an issue of convertible preferred stock. **Underwriters**—Probably White, Weld & Co. and Stone & Webster Securities Corp., New York.

★ United Shoe Machinery Corp.
June 24 company announced it may be necessary to resort to borrowing in the reasonably near future in such amounts as may be necessary from time to time to finance its working capital needs.

Utah Power & Light Co.
June 3 it was reported that company may issue and sell in September about $10,000,000 of first mortgage bonds and 150,000 shares of common stock. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—May be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. (2) For common stock—Blyth & Co., Inc., W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp.

Virginia Electric & Power Co.
May 26 it was reported company plans issuance and sale later this year of $20,000,000 first and refunding mortgage bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp. and Harriman, Ripley & Co., Inc. (jointly); Union Securities Corp.; Salomon Bros. & Hutzler.

Virginian Ry. (6/26)
June 13 the company sought permission to issue and sell $1,350,000 of equipment trust certificates to mature annually on July 1 from 1953 to 1967. Probable bidders include: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co. **Bids**—Scheduled to be received on June 26 at noon (EDT) at 44 Wall Street, New York.

Washington Gas Light Co.
Jan. 12 reported that company is considering plans to raise about $4,500,000 from the sale of additional common stock to its stockholders (there are presently outstanding 734,400 shares). **Underwriters**—The First Boston Corp. and Johnston, Lemon & Co. handled the offering last year to stockholders. **Proceeds**—Together with bank loans and other funds to take care of proposed $6,000,000 expansion program. **Offering**—Of about 150,000 common shares expected in June.

Washington Water Power Co.
Jan. 9 company applied to the SEC for authority to make bank borrowings of $40,000,000, the proceeds to be used to finance contemporarily, in part, the company's construction program. Permanent financing expected later this year. Probable bidders: (1) For stock or bonds: Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); (2) for bonds only: Halsey, Stuart & Co. Inc.

Western Light & Telephone Co., Inc.
April 11 stockholders increased authorized common stock from 400,000 to 500,000 shares, the additional shares to be issued as funds are needed for new construction. **Dealer-Managers**—Harris, Hall & Co. (Inc.), Chicago, Ill., and The First Trust Co. of Lincoln, Neb.

★ Westcoast Transmission Co., Ltd.
June 14 the Canadian Board of Transport Commissioners conditionally authorized this company, an affiliate of Sunray Oil Corp. and Pacific Petroleums, Ltd., to build a $111,240,000 natural gas pipeline on the Pacific Coast, providing gas reserves were found sufficient to maintain such a line. It was stated that $88,000,000 of first mortgage bonds have been conditionally subscribed for by The First National Bank of New York, The Prudential Insurance Co. of America, The Mutual Life Insurance Co. of New York and the New York Life Insurance Co. and another $28,000,000 is to be provided by the issue and sale of $28,000,000 of junior securities. **Underwriter**—Dillon, Read & Co. Inc., New York.

Continued from page 5

"HOW DOES THE KREMLIN LIKE IKE and AVE?"—Do We Care?

This striving for political campaign capital by Roosevelt's opponents, alleging his "bad company" support had been exhibited in the distribution to the electorate of 3 million copies of a speech by Republican Congressman Fred E. Busbey of Illinois, in which he stated the Roosevelt administration was backed by the Communist party with "the red specter of communism stalking our country from East to West, from North to South."

Of course, the facts surrounding Mr. Roosevelt's highly embarrassing popularity with the Kremlin were that it gave him its support only because of Hitler's double-crossing attack in 1941 and his making available lend-lease supplies as an Ally—all reversing the violent opposition of Browder et al., who had in 1940 denounced the same FDR as "warmonger," "dictator," and "usurper" of power and "oppressor of labor." But the facts in this democratic public-relations game are unimportant.

In 1940 canditate Roosevelt's overwhelming popularity with the British was used freely to support his domestic campaign opponents' charges that he was leading us to war.

In 1944 there were undoubtedly many who, following the line of Nazi Propaganda Minister Goebbels, took seriously the charges that Roosevelt stepped up the German invasion tempo to help his election campaign at home.

All is fair in love and—in a democracy's Presidential campaign! But it will be a serious matter, and one of the excessive prices of our system, if smearing according to foreigners' opinions should affect our nation's policy-making. In many cases, incidentally, the foreigners' opinions, as will be shown in a succeeding article, are misrepresented. In any event, let us rule as out-of-bounds, charges of guilt-through-popularity-with-the-wrong-people!

Unemployment Insurance Funds at $7.8 Billion

National Industrial Conference Board says amount is sufficient to meet benefit payments for 5½ years. Finds extreme variations in reserve resources of various states.

According to the National Industrial Conference Board, reserves available for unemployment insurance benefits reached an all-time high of $7.8 billion at the close of 1951. This the Board notes, would be enough to meet the average annual postwar cost rate for five and a half years.

With the single exception of Rhode Island, every state in the union (as well as the District of Columbia, Alaska and Hawaii) showed a net gain during 1951 in funds available for benefits.

In fact, the Conference Board notes, reserves in 19 states today are high enough to finance benefits at their 1946-1950 average annual cost rate for at least 10 years, and in an additional 22 states for at least five years. "On the other hand, Massachusetts and Rhode Island would not be able to meet as much as two years' average postwar costs out of their funds on hand."

Although postwar experience may not be completely reliable as a measure of relative adequacy of the various state funds to meet future costs, it is the best yardstick available, short of intensive financing studies on a state-by-state basis. While the years 1946-50 were generally prosperous, they included both a period of reconversion unemployment and of business recession. Nationally, insured unemployment as a percentage of covered employment was about 7% in 1946 and 1949 and this ratio exceeded 15% in several states.

The wide variation that exists among the states in the adequacy of their reserves "is also evident in other aspects of the 51 separate unemployment insurance systems. Within the framework of minimum Federal requirements, they have developed along very different lines and have responded individually to the combined effect of the several factors that determine their financial status."

Adequacy of Reserves

A measure of adequacy of reserves at the end of 1951 reveals that at one extreme Iowa, Colorado, and New Mexico could meet average annual postwar costs for more than 20 years without collecting another cent in contributions or earning any additional interest. At the other extreme, funds available for benefits in Rhode Island were equal to only 1.2 years of postwar costs, and in Massachusetts to only 1.7 years.

Expenditures vs. Contributions

Nationally, the average annual cost rate (benefit payments as a percent of taxable wages) for the 1946-1950 period was "slightly higher" than the average annual contribution rate (1.5% as compared with 1.4%). In 19 states expenditures exceeded income, in four the two achieved a balance, and in the remaining 28 collections were more than enough to pay for benefits. "How immense was the degree of variation can be seen from the fact that at one end of the range were four states in which expenditure rates exceeded contribution rates by at lease 50%; and at the other end were seven states in which average contribution rates were more than double average expenditure rates."

At the start of the postwar period, reserves as a percentage of taxable wages varied among the states from 7.5% (Michigan) to 17.8% (Alaska) and averaged 11.8% for all the states. At the end of the period (which we are assuming to be December, 1950), the comparable ratio varied from 2.8% (Massachusetts) to 13.7% (Kentucky) and averaged 8.6%. Actually, in dollar amounts, aggregate United States reserves were just about the same in December, 1945, and December, 1950, but the increase in taxable wages between 1945 and 1950 resulting from higher employment and earnings levels reduced the percentage figure.

Postwar Unemployment Experience

The worst postwar unemployment insurance experience, generally speaking, occurred in states with a strong concentration of manufacturing employment and in which a few sensitive industries predominate — Massachusetts, Rhode Island, New Hampshire, and New York. In California, however, which is among the handful of states with the poorest showing, manufacturing represents less than a third of covered employment. Here, an expanding labor force and a high rate of turnover seem to have been important factors.

Thirty-One States Study Benefit Financing

Thirty-one states have undertaken studies of long-range benefit financing in order that there may be closer coordination of their unemployment insurance costs, contributions, and reserves in the future. They have been assisted by the Federal Bureau of Employment Security which established a Financial Studies Branch to work with the states on this problem. In addition, a group of state employment administrators has tackled the problem of adjusting contributions to "fat" and "lean" years, and has brought forth several suggestions for consideration.

With Goffe & Carkener

(Special to The Financial Chronicle)

OMAHA, Neb.—E. A. Peterson has become associated with Goffe & Carkener, Inc., of Kansas City, Mo.

H. L. Robbins Adds

(Special to The Financial Chronicle)

WORCESTER, Mass.—Paul A. Duhart is now with H. L. Robbins & Co., Inc., 40 Pearl Street.

Vilas & Hickey Add

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, announce that Andrew Richardson is now associated with the firm.

King Merritt Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—James A. Fessenden and Mrs. Erna L. Gregory have become associated with King Merritt & Co. Inc., Chamber of Commerce Building. Mr. Fessenden was previously with Slayton & Co., Inc.

With Bache & Co.

(Special to The Financial Chronicle)

GREENSBORO, N. C. — Curtis E. Stone is now with Bache & Co., 108 West Market Street.

Blyth Adds to Staff

(Special to The Financial Chronicle)

BOSTON, Mass.—Allen F. Langhorne is now connected with Blyth & Co., Inc., 75 Federal Street.

Midwest Pipe & Supply Stock at $28.50 a Share

An underwriting group headed by G. H. Walker & Co., and including, among others, Glore, Forgan & Co., Blyth & Co., Inc., Stone & Webster Securities Corp. and White, Weld & Co., are publicly offering 100,938 shares of common stock (no par value) of Midwest Piping & Supply Co., Inc. at $28.50 per share.

The net proceeds are to go to a group of selling stockholders.

Join Waddell & Reed

(Special to The Financial Chronicle)

LINCOLN, Neb. — William L. Ferguson and Carl H. Runge are now affiliated with Waddell & Reed, Inc., Continental National Bank Building.

Joins King Merritt

(Special to The Financial Chronicle)

SARASOTA, Fla. — Ronald F. Goutermout is now with King Merritt & Co., Inc.

With Harris, Upham

(Special to The Financial Chronicle)

PALM BEACH, Fla.—Robert R. Steele has become connected with Harris, Upham & Co., 316 South County Road.

H. C. Wainwright Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Alfred C. Morley, Jr., is now with H. C. Wainwright & Co., Union Commerce Building.

With Coburn-Middlebrook

(Special to The Financial Chronicle)

BOSTON, Mass.—Dewey J. Thibault is now connected with Coburn & Middlebrook, Incorporated, 53 State Street.

With George W. Clarke

(Special to The Financial Chronicle)

LAKE CHARLES, La.—Alleen F. Evans is now associated with the staff of Geo. W. Clarke, Weber Building.

Joins R. S. Dickson

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—Henry T. Martin has joined the staff of R. S. Dickson & Co., Inc., Wilder Building.

Our Reporter's Report

Things were looking up in the corporate new issue market this week and, in contrast to the sluggish reception afforded offerings in the preceding fortnight, investment interests were in a more receptive mood. This was not necessarily true, of course, regarding some earlier emissions which continued to move at a snail's pace.

However, things were better with current offerings and demand was reported quite brisk in most directions. It appeared that institutional buyers who have been extremely difficult, from a bankers' point of view, in recent weeks, had decided it was time to do a little buying.

Three public utility bond issues found ready reception, according to dealers, and were spoken for virtually in their entirety soon after bids were opened and reoffering bases announced.

Moreover, the better feeling appeared to embrace senior equities, as well as debt securities. At any rate demand was reported heavy for Safeway Stores, Inc.'s offering of 200,000 shares of 4½% convertible preferred stock brought out by bankers. This issue was offered direct to investors with stockholders waiving their pre-emptive rights.

Cutting It Close

Bidding for Public Service Co. of Indiana's $25,000,000 of new 30-year bonds brought the closest competition in some time. The successful group paid the company a price of 101.684 for a 3⅜% coupon.

The runners-up were a mere six and one-half cents per $100 of bonds lower or roughly 65 cents on a $1,000, bond. With six groups in the running the lowest bid was only about $4.24 per $1,000 under the highest.

Offered to return an indicated yield of 3.25%, this issue was reported finding a brisk reception.

It Happens Occasionally

Every so often a potential issuer of new securities finds it advisable to reject a bid for the issue in question. That happened this week, when on Monday, Public Service Co. of New Hampshire opened bids for 50,000 shares of $100 par cumulative preferred stock.

With the expiration of the time for submission of bids, the utility's management found itself with but a single tender for the block of stock. A banking group had offered to pay a price of 100.02 a share.

The single bidder had planned to reoffer the shares at a price of 103½ for a 5.41% yield basis. But the company rejected the bid. There was no immediate explanation for the action, though it was assumed that the utility perhaps believed SEC might object to closing of the sale under the circumstances.

Proper Timing?

The Dow Chemical Co. has started the wheels turning on a huge piece of new financing and since this is a negotiated undertaking, not subject to competitive bidding, it may be that the company and its bankers have taken a sharp look at the new issue calendar.

From now through the 4th of July holiday week-end promises to be a rather slow period for new offerings. And the firm, which has registered to market $100,000,000 in new 30-year convertible subordinate debentures, probably figures it will find little competition from other borrowers about the time the issue should reach market.

Having put $431,000,000 into expansion of plant in the period from May 31, 1947 to 1952 inclusive, Dow estimates its capital expenditures this year will approximate the proportions of the projected new offering.

LEGAL NOTICE

ABERDEEN AND ROCKFISH RAILROAD COMPANY
Incorporated

First Mortgage Three and One-Quarter Per Cent Bonds Due July 1, 1960

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Deed of Trust dated as of July 1, 1945 between the undersigned and the Security National Bank of Greensboro, Raleigh, North Carolina, Trustee, there have been drawn by lot for redemption and it is the intention of the undersigned to pay and redeem on July 1, 1952, $5,000.00 principal amount of the above described bonds, bearing Nos.

2—50—65—79—90

The bonds so designated for redemption will become due and payable on said redemption date and will be redeemed on or after that date at the office of the Trustee, the SECURITY NATIONAL BANK, Raleigh, North Carolina, at par and accrued inteerst to redemption date. All such bonds are required to be presented for payment and redemption at said office of the Trustee on July 1, 1952 on which date interest shall cease to accrue thereon.

ABERDEEN AND ROCKFISH RAILROAD COMPANY INCORPORATED
By: J. A. Bryant, Treasurer

Dated: April 29, 1952

R. G. Winthrop Admits

On July 3, Douglas McGall will become a partner in Robert Winthrop & Co., 20 Exchange Place, New York City, members of the New York Stock Exchange.

Joins, Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Me.—Laurence C. Perry has become associated with Schirmer, Atherton & Co., 634 Congress Street. He has been connected with J. Arthur Warner & Co., Inc.

Now Gibbs & Co.

WORCESTER, Mass.—The firm name of Gibbs & Coe, 407 Main Street, has been changed to Gibbs & Co.

Joe Crow Opens

AUSTIN, Texas—Joe Crow is engaging in the securities business from offices at 417 West Sixth Street.

Eugene J. Koop

Eugene Jackson Koop passed away at his home at the age of 83. Prior to his retirement in 1950 he had been associaed with Spencer Trask & Co. for more than 40 years.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn 22, New York

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of 25c per share on the Common Stock, payable July 1, 1952 to Stockholders of Record at the close of business June 23, 1952. Transfer books will remain open.

COLUMBUS MOISE, Treasurer.

COMBUSTION ENGINEERING-SUPERHEATER, INC.

Dividend No. 194

A quarterly dividend of seventy-five cents (75c) per share on all the outstanding stock of the Company has been declared payable July 29, 1952 to stockholders of record at the close of business July 15, 1952.

OTTO W. STRAUSS, Treasurer

UGI

A quarterly dividend of 35c per share on the Capital Stock, par value $13.50 per share, has been declared, payable September 30, 1952, to stockholders of record August 29, 1952.

THE UNITED GAS IMPROVEMENT CO.
JOHNS HOPKINS, Treasurer
June 24, 1952 Philadelphia, Pa.

United Shoe Machinery Corporation

The Directors of this Corporation have declared a dividend of 37½ cents per share on the Preferred capital stock. They have also declared a dividend of 62½ cents per share on the Common capital stock. The dividends on both Preferred and Common stock are payable August 1, 1952, to stockholders of record at the close of business July 3, 1952.

WALLACE M. KEMP, Treasurer.

DIVIDEND NOTICES

TECHNICOLOR, Inc.

The Board of Directors has declared a dividend of fifty cents (50c) a share on the Capital Stock of the Company, payable July 22, 1952, to stockholders of record at the close of business July 11, 1952.

L. G. CLARK, *Treasurer*

June 17, 1952

OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 180

A dividend of $.50 per share on the no par value Common Stock has been declared, payable July 29, 1952, to stockholders of record at the close of business on July 7, 1952.

Checks will be mailed.

H. R. FARDWELL, *Treasurer*

New York, June 18, 1952.

DIVIDEND NOTICES

WORLD-WIDE BANKING
Chase

DIVIDEND NOTICE

The Chase National Bank of the City of New York has declared a dividend of 40c per share on the 7,400,000 shares of the capital stock of the Bank, payable August 1, 1952 to holders of record at the close of business July 3, 1952.

The transfer books will not be closed in connection with the payment of this dividend.

KENNETH C. BELL
Vice President and Cashier

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

CONSOLIDATED NATURAL GAS COMPANY
30 Rockefeller Plaza
New York 20, N. Y.

DIVIDEND No. 18

THE BOARD OF DIRECTORS has this day declared a regular quarterly cash dividend of Sixty-two and One-Half Cents (62½¢) per share on the capital stock of the Company, payable on August 15, 1952, to stockholders of record at the close of business July 15, 1952.

E. E. DUVALL, *Secretary*

June 19, 1952

SIRCO

SOUTHERN STATES Iron Roofing Company
SAVANNAH, GEORGIA

Dividend on Preferred Stock

A quarterly dividend of thirty-one and one-quarter cents (31.25c) per share on the Preferred Stock of this company has been declared, payable on July 1, 1952, to stockholders of record June 19, 1952.

ROSS G. ALLEN
Secretary and Treasurer

a.c.f.

AMERICAN CAR AND FOUNDRY COMPANY

30 CHURCH STREET NEW YORK 8, N. Y.

The Directors of American Car and Foundry Company today declared, out of the earnings of the Company for the fiscal year ended April 30, 1952, four dividends each in the amount of 75 cents per share on the shares of common stock of this Company outstanding on each of the record dates hereinafter set forth, payable respectively (1) Common dividend No. 128 on July 15, 1952 to stockholders of record at the close of business on July 3, 1952; (2) Common dividend No. 129 on October 15, 1952 to stockholders of record at the close of business on October 3, 1952; (3) Common dividend No. 130 on January 15, 1953 to stockholders of record at the close of business on January 2, 1953 and (4) Common dividend No. 131 on April 15, 1953 to stockholders of record at the close of business on April 3, 1953.

Checks will be mailed by the Guaranty Trust Company of New York. The transfer books will remain open.

The Board of Directors also declared a 10% stock dividend (one share for each ten shares held), on the common stock payable September 25, 1952 to stockholders of record at the close of business on September 5, 1952. This stock dividend is subject to the approval by the shareholders at the Annual Meeting to be held on August 28, 1952, of the proposal to increase the authorized shares of common stock.

C. ALLAN FEE, *Secretary*

June 19, 1952

CANADIAN PACIFIC RAILWAY COMPANY

Dividend Notice

At a meeting of the Board of Directors held today a dividend of seventy-five cents per share on the Ordinary Capital Stock was declared in respect of the year 1952, payable in Canadian funds on August 1, 1952, to shareholders of record at 3 p.m. on June 24, 1952.

Of this dividend twenty-five cents is attributable to railway earnings and fifty cents to other income.

By order of the Board.

FREDERICK BRAMLEY,
Secretary.

Montreal, June 10, 1952.

LONG ISLAND LIGHTING COMPANY

LONG ISLAND SERVICE LIGHTING COMPANY

Notice of Quarterly Dividend

The Board of Directors has declared a quarterly dividend of 22½ cents per share on the Common Stock of the Company, payable August 1, 1952 to stockholders of record at the close of business July 11, 1952.

This dividend will not be distributed to holders of the old Preferred and Common Stocks of the Company (or Certificates of Deposit for said Stocks) or to holders of the old Preferred Stocks of Queens Borough Gas and Electric Company and Nassau & Suffolk Lighting Company until such shares have been surrendered and exchanged for the new Common Stock.

VINCENT T. MILES
June 25, 1952 *Treasurer*

Edison

Southern California Edison Company

DIVIDENDS

COMMON DIVIDEND NO. 170

PREFERENCE STOCK 4.48% CONVERTIBLE SERIES DIVIDEND NO. 21

PREFERENCE STOCK 4.56% CONVERTIBLE SERIES DIVIDEND NO. 17

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on the Common Stock;

28 cents per share on the Preference Stock, 4.48% Convertible Series;

28½ cents per share on the Preference Stock, 4.56% Convertible Series.

The above dividends are payable July 31, 1952, to stockholders of record July 5, 1952. *Checks will be mailed from the Company's office in Los Angeles, July 31, 1952.*

P.C. HALE, *Treasurer*

June 20, 1952

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—What the Truman Administration is seeking is a broad, long-range, enveloping control—in cooperation with other like-minded "free world" governments—over the production, distribution, trade, and use of basic industrial raw materials, especially metals and minerals.

That such an objective is definitely sought, that it is no mere nightmare of a reactionary, is the sober judgment of the comparatively few key members of Congress who are "on top" of the Administration's moves in this field. Yet even these comparatively few men confess they cannot in these times of crowded issues, know all the schemes going on.

For instance, Rep. Carl T. Durham of North Carolina, the Armed Services Subcommittee Chairman who drew the original legislation setting up the Munitions Board strategic stockpile of raw materials, was unaware until a few days ago of one of the new major moves, the "civilian stockpile" scheme engineered by Defense Production Administration.

There are three tangible moves in the grab for power to cartelize raw materials. One of them is the International Materials Conference. The other is the "civilian" or "buffer stockpile." The third is the formal report of the President's Materials Policy Commission.

(1) The International Materials Conference: The theory of the Administration respecting IMC is that with the U. S. having to depend on imports for some 38 important materials, this country must get together with other nations and by voluntary agreement parcel out the "free world's" supply of scarce materials. If the United States chose the course of using its superior buying power to hog the world's supply of scarce materials, it would pay a penalty, so the Administration asserts. That penalty would be a reprisal denial to the U. S. of those necessary materials under foreign control.

Furthermore, says the Administration, the U. S. must forego an advantage in materials supply for its civilian production, as well as for its war production. It must balance foreign aspirations for civilian production expansion abroad with its own like aspirations.

So the IMC with the commodities with which it has dealt thus far has allotted total use among 38 countries of specific commodities. The allotment has not been merely for military purposes; it has been for both civilian and military production use.

In the circumstances under which IMC was first attacked in the Senate, there arose a widespread illusion that the attack was merely opposition politics. Rep. Homer Ferguson (R., Mich.) was faced with the fact that Senator Blair Moody (D., Mich.) was at the time appealing to temporarily unemployed auto workers with his scheme to put them on the Federal payroll while they were "conversion unemployed." Ferguson's growl at IMC sounded like an antidote to the vote-enticing Moody scheme, for the senior Michigan Senator said that if the Administration had not consented illegally to surrender copper available to the U. S., there would be no auto production cut-back.

When the thing got to the House, Rep. Durham added something new. He and Rep. Thomas E. Martin (R., Iowa) another boy with savvy about the munitions stockpile, confirmed that IMC had specifically ruled against the acquisition of several materials for the U. S. strategic reserve or national stockpile.

This brought especially to the fore the legal basis for IMC's power to dictate the amounts of scarce materials which could be used within the United States. Senator Ferguson and others, including Rep. Durham, charge that the IMC operates without legal authority. The Administration does not assert a statutory authority. It only asserts the power under the constitutional authority to conduct foreign relations. This is thus from the same broad reservoir of constitutional authority which "justified" the steel seizure and in due course, if Truman or his buddy is re-elected, will "justify" an international commitment upon Congress for socialized medicine.

Despite the fact that Senator Ferguson was out with his amendment several weeks ago and the House GOP also fizzed this thing up a few weeks ago, Congress as a whole has been late in catching on to the significance of IMC.

The Ferguson anti-IMC amendment was neutralized by the Fulbright amendment. In the House, IF the similar Sadlak amendment has meanwhile survived a roll call, there is likely to be a battle royal in conference.

Whether or not the clipping of IMC sticks in the final bill, the Congressional conservatives have got wise, and this thing is going to be an issue in 1953 in Congress even if there is another repeat on Truman in the White House.

(2) The Civilian Stockpile: Earlier in the month DPA provided for the acquisition of 30,000 tons of lead by the General Services Administration. The basis for this action was that lead was weakening in price. If it stayed weak, industrial consumers of lead would hold off. A decline in lead production would follow. Now there is no reason, think the government boys, for lead to be plentiful and low in price, and for production to let down.

Military production will go great guns later this year. Then the lead will be needed. If the government hadn't stepped in, production might have declined, and the lead would have been lost to defense industry.

So the government picks it up, and supports the price. If industry doesn't want to buy it, then in due course the lead will be put into the national or Munitions Board strategic stockpile.

What this amounts to is an "ever normal granary" as it were, for metals. It is a sort of price-support or parity program for the metals industry. That is what it will amount to provided, of course, the idea is used to any extent.

When the legal, national stockpile was created, this idea of a government using its buying power to price-support commodities is one thing industry wanted to avoid, and precautions were written into the national stockpile to attempt to neutralize the effect of large stocks in government hands.

This civilian stockpile idea is in conflict with these precautions.

BUSINESS BUZZ

"Let me see that part of the sales manual again where it says 'prospective clients don't always mean "no" when they say "no" '!"

By and large Congress has not yet realized that the lead purchase could be the opening action in a new and far-reaching program. On the other hand, Congress would have a hard time getting its teeth into this thing because no one yet knows how much prices might slip in other metals, and tempt the government to carry on the game. And Congress can't be sure until the game is tried out on other metals, that officials for sure will follow through.

(3) "Resources for Freedom": In January the President hauled in some industry men and some bureaucrats and told them to look into how adequate was the supply of industrial raw materials for the next generation. For the bureaucrats, at least, are confident that for a generation they can count upon the Russian menace to support free world spending, free domestic spending, and the planned society.

The result of this Commission's "study" was a sort of Malthusian doctrine regarding raw materials. Not strictly Malthus, of course, because the Commission said that American industry would not actually run out of materials. The problem was to get enough at the right price.

In its format of expensive printing, beautiful coated paper, oversimplified charts, flowing, gurgling language, this report is in spirit one with the old Resources Board of the Interior Department of the '30s, and is one in heart and spirit with the lingo and approach of the Council of Economic Advisers.

While paying lip service to the private enterprise system, to certain problems like taxes and production techniques, for the advantage of the sucker trade, the thing launches into an astrological horoscopic picture of the ills that will come to the world if something isn't done.

What must be done, of course, must be done by government, the U. S. and the other governments. The U. S. Government must engage for years in agreements to bring the metals out of the earth in Africa and Asia, South America and the Indies. It must write long-term purchase contracts. The U. S. A. must provide the geological survey of the minerals possibilities of the U. S. and the globe.

Together with the things which are coming out on IMC and the latter's pre-occupation with foreign industrial development, and together with the threatened scheme to keep the government constantly in the domestic metals picture, the flamboyant report of this Commission suggests that world-wide production, distribution, use, and control of industrial raw materials is the objective of the Truman Administration.

It doesn't occur to the authors of the report that when a metal gets scarce, a bunch of bright boys in New York might find a company to mine it in Africa, or that another bunch of men might find a scheme to produce a gadget without the metal which is scarce, all on just their own initiative.

In short, the President's Materials Policy Commission doesn't believe man could live without government planning for the year 1975.

*(This column is intended to reflect the "**behind the scene**" interpretation from the nation's Capital and may or **may** not coincide with the "**Chronicle's**" own views.)*

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following changes:

Interests of the late John L. Clark in Abbott, Proctor & Paine will cease June 30.

Paul L. Kohns of Hirsch & Co. has been succeeded by Robert L. Kohns as one of the Trustees under Trust Agreement dated Sept. 14, 1951.

Irle & Dull will be dissolved on June 30.

William H. Burnham, general partner in F. S. Smithers & Co. became a limited partner June 1.

Transfer of the Exchange membership of Raymond H. Sigesmund to Lewis I. Brunswick will be considered by the Exchange on July 3.

Beer & Co. Adds

(Special to The Financial Chronicle)

NEW ORLEANS, La.—Killian L. Huger, Jr. is now associated with Beer & Company, 233 Carondelet Street, members of the New York and New Orleans Stock Exchanges.

Business Man's Bookshelf

Commodity Year Book—1952 Edition — Commodity Research Bureau, 82 Beaver Street, New York 4, N. Y.—Cloth—$10 in the United States; $10.50 outside U. S.

Money and Economic Activity—A Selection of Readings—Edited by Lawrence S. Ritter-Houghton-Mifflin Company, 2 Park Street, Boston, Mass.—Paper—$2.95.

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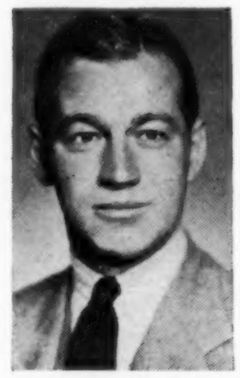

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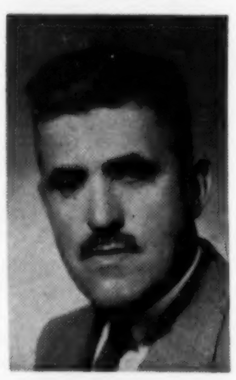

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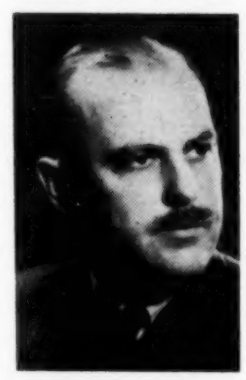

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Private Enterprise at Work in Newfoundland

By HON. JOSEPH R. SMALLWOOD*

Premier and Minister of Economic Development for the Province of Newfoundland

In extolling union of Newfoundland with Canada, Mr. Smallwood stresses need for accelerated progress of Canada, and its new undeveloped Province of Newfoundland. Urges security dealers should study investment possibilities in Newfoundland. Cites British Colonial restrictions as reason for lack of Newfoundland's economic development, and says, it demands, as a Canadian Province, new economic development and progress along with rest of Canada. Reviews legislative efforts of Newfoundland to attract capital, and calls attention to the recently created Newfoundland Labrador Corporation, owned jointly by Newfoundland Government and private interests, to acquire and operate plants originally constructed by the Province and develop and exploit mineral and forest products of Labrador region.

I thought it was most appropriate to see the halo about the head of the retiring President of your organization when that plate was presented to him and I hope all of you noticed the halo caused by the reflection of the light on the plate. You will see in a moment that I really mean that, that I think a halo ought to rest on the official head of this particular organization. Now, if a man attended a convention of clergymen he would feel that he was mixing with people of very great importance in any land, the people who were attempting to guide all of us to spiritual salvation. If he attended a meeting of the members of the Parliament of Canada he would doubtless feel, too, that he was mixing with very important people, people who wrote the laws of the land. If he mixed with a convention of newspapermen he would feel, too, that he was mixing with most important people, people who enlightened the population of the land, brought information to them and enabled them, upon the basis of accurate information, more accurately to form conclusions on public issues. And, indeed, in mixing with all kinds of people he could very rightly feel that he was dealing with people who helped in one way or another to shape the destiny of a nation. If he met, for example, with bankers or insurance company representatives, he would very rightly feel that he was dealing with one particular class of the population who performed the terribly important function of providing the means whereby the population can save. But I know, frankly, of no group in Canada—at least today—quite so important in the economy of Canada as the Investment Dealers of Canada, because the function that they perform is, it seems to me, of quite paramount importance. I don't know whether I might call the Investment Dealers of Canada a sort of economic marriage broker bringing together the capital and energetic initiative of the nation, resulting in industry, or whether I would call you a sort of accoucheur, but in plain English "midwives" of industry.

Hon. J. R. Smallwood

In Canada, particularly because I think this is a very young country and it is very rich in natural resources, perhaps one of the richest parts of the globe, and its population is very small—a mere 14,000,000 people rather presumptuously and boldly occupying more than half of a very remarkable continent—and the great need it seems to me in Canada today is to bring about a marriage or to bring about many marriages of capital and energetic and progressive men, who have had dreams and the boldness to realize the dream of industrial greatness for a great land.

Frankly, gentlemen, as you look around the world today you see the undeveloped state of it in some parts and the quite extraordinary overdeveloped state of it in other parts and you get to feel that Canada is flying in the face of destiny to allow itself to be as undeveloped as it is. Do the people of Canada deserve to have more than half a continent? How long can 14,000,000 people continue in the face of this world to occupy and not develop the third largest land mass of the earth, following only after Russia and China in physical area and perhaps far richer in natural wealth than either Russia or China? How long is it fair to expect in this modern world that 14,000,000 people will be permitted in safety and in unity exclusively to occupy the third largest and certainly one of the richest of all the land areas of the globe? So the need, therefore, for development of Canada is just staggering in the extreme.

Much More Can Be Done in Canada

I happen to be one who is left quite unimpressed by all the proud talk in which we have indulged in these later years about the fabulous development of Canada. Compared with the background of Canada as she was ten, twenty years ago, the development of these recent years is quite fabulous, but compared with the Canadian potential the development of these later years is quite trifling. I was a little staggered, incidentally, in talking with Mr. J. P. Ripley, of the firm of Harriman Ripley & Co. of New York, some months ago to learn that of the $100,000,000 needed at the outset to build the railway from Seven Islands down to Nob Lake to tap that vast new iron ore deposit, Canadian capital met the need to the extent of about $2 or $3 million and that all of the remainder of it was subscribed in the United States. Now I do know that in later years the proportion of the total capital investment in Canada, coming from Canada, is very appreciably greater than it had been in earlier years. However, what rather fascinates me as I think on the one hand of a land that is bigger than the Continent of Europe and endowed as few parts of the earth are endowed, and on the other hand of those millions of dollars of safe deposits in the banks and many more thousands of millions of dollars on safe deposit in insurance companies, and of the need on the third hand—if you could have a third hand—the need for tremendous development in Canada and the possibilities of such development, I wonder and I ask myself if Canada is indeed living up to her own destiny.

Now may I say this, that when we in Newfoundland decided to throw in our lot with Canada, to turn our backs upon a very ancient and sometimes honorable, always interesting isolation extending back for four and one half centuries — when we decided to cease attempting to paddle our own canoe and to cast our lot with Canada, we did so mostly because we were convinced that Sir Wilfrid Laurier told the simple truth when he said "The Twentieth Century belongs to Canada" and that Canada had a great and glorious future. We cast our lot with Canada because we felt that Canada was going up, going up very far and very high, and that we would likely go up with her. I am personally not at all satisfied that Canada is going up as far and as fast as she is capable of going.

Europe vs. Canadian Workers

Last year and the year before I visited Western Germany. I traveled 2,500 miles by motor car the year before and 3,000 miles last year, from the northern tip of Germany to the southern, in western Germany. There I saw vast cities — Hamburg, Cologne, Dusseldorf, Duisburg, Frankfort, Munich and 50 others—in any one corner of any one of which more damage had been done in the late war than in all of the United Kingdom put together; whole areas leveled, areas as big as the City of Toronto, leveled to the ground, and in Hamburg in three nights a quarter of a million killed — cities that had taken a thousand years to build leveled in a few nights. Yet that crowded country, packed tight with people working night and day—farmers going with their wives and children before the break of dawn in the morning out on their farms, having breakfast, lunch and dinner out in the open on the land and not even thinking of hitching up the team of cows to the wagon to go back to their homes in the village until dusk had fallen; people working night and day with an industriousness that was just staggering, like an anthill; 60 million people crowded into an area that you could drop and lose in the Province of Quebec. Then move on into Holland, into Denmark, into Belgium and see there these vastly crowded areas, people working like ants day and night, and then come back to Canada and find these vast open spaces with natural wealth that makes them drool at the mouth merely to hear about it; and 14 million people not, I am quite convinced, not working, not even pretending to work in Canada today — businessmen, industrialists, bankers, workers—not even pretending to work as they are doing at least in some parts of the Continent of Europe today. I kept

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*An address by Mr. Smallwood at the 36th Annual Meeting of the Investment Dealers' Association of Canada, St. Andrews-by-the-Sea, New Brunswick, Canada, June 13, 1952.

Highlights in Merchandising Securities

By ROBERT A. MAGOWAN*

Partner, Merrill Lynch, Pierce, Fenner & Beane, New York City

Mr. Magowan, in commenting on entrance of his firm into Canada, points out anything that benefits an industry as a whole, usually benefits everyone in that industry. Says the more securities are advertised and promoted, the more people will become interested in buying and owning them. Advocates salary basis for compensating salesmen, and stresses merchandising principles for the securities business. Urges education for salesmen as well as public, and contends ignorance is reason why there are not more investors. Fosters idea of more sales promotion and advertising in marketing securities.

Shortly before receiving an invitation to speak before this meeting, my firm had decided to open an office in Toronto. Or—I should say re-open—because one of the firms which was merged into our present organization was E. A. Pierce & Co., and that firm operated in Canada for many years. Mr. Pierce is one of our senior partners today, and he had been a member of the Toronto Stock Exchange since July 2, 1925.

Robert A. Magowan

We will open this office in Toronto next week. My appearance here this morning, therefore, affords me an opportunity to tell you why Merrill Lynch is coming to Canada, and something about one of your newest neighbors.

Merrill Lynch, Pierce, Fenner & Beane has come to Canada because we believe this great country is going to develop and grow over many years to come, and it is that long-range development which challenges our interest just as it does yours. We want to help you, and work with you, and have a part in the development of this country.

Canada is today the brightest new frontier of capitalism. We believe profoundly in that system as it has evolved throughout history, because it is a system that brings the greatest good to the greatest number. We want to see it grow. We want to be part of its growth. And that's another of the compelling reasons why we have come to Canada.

We've always operated on the theory that there's a vast untapped market in securities and that there's plenty of business for everybody. We still feel that way about the market in the United States and we know this is also true of Canada. It's not our objective merely to chisel out for ourselves a share of the existing market. Rather, it is our ambition to make a place for ourselves here by helping to expand the total volume of that business. This has always been one of our principal business objectives. How well we have succeeded in realizing it is perhaps not for me to say, but I am content to rest the case on the judgment of our competitors.

It seems self-evident that the more we talk about securities, explain what they are, and advertise them and promote them, the more people there will be who become interested in buying and owning securities.

Anything that benefits an industry as a whole usually benefits everyone in that industry. If we can help increase the size of the pie so that everyone has a bigger piece, we can be confident that there is going to be a piece for us, too. That has been our experience below the border.

We know we have much to learn about doing business in the Dominion. We will do our best not to make mistakes. We want to get started on the right foot. You'll find us fair competitors and good neighbors, ready to give and accept a helping hand.

I have been asked to talk this morning about merchandising securities and about our experience in recruiting and training sales personnel. Obviously, this means I must talk about Merrill Lynch.

Back in 1939 the security business was in bad shape. Public confidence in Wall Street was nonexistent. Practically every brokerage firm was losing money, including the biggest one of them all, E. A. Pierce & Co. It was in this atmosphere that our firm was conceived by Charles E. Merrill.

At that time Mr. Merrill had a substantial investment in the Pierce firm, and he was the sole owner of the investment banking firms of Merrill Lynch, Inc. and Cassatt & Co., Inc.

On April 1, 1940, these interests were consolidated into a firm, Merrill Lynch, E. A. Pierce & Cassatt. The following year the firm was enlarged by a merger with Fenner & Beane, and our name was changed to its present form. At the head of the organization—the largest in the industry—was Mr. Merrill.

Mr. Merrill had spent his entire life in Wall Street, and had been the principal banker for a number of chain store companies—J. C. Penney, Kresge, Safeway, First National Stores, Western Auto Supply and many others—including two of your leading grocery companies—Loblaw Groceterias Co., Ltd. and Dominion Stores.

Although a banker by profession, Mr. Merrill was a merchant by instinct. As much as any one individual, he is responsible for the present-day chain store system of merchandising.

Mr. Merrill thought that merchandising principles had to be applied to the security business if it were going to survive as a healthy industry. Although we were losing money in the months immediately following the formation of the new firm, Mr. Merrill ordered an extensive advertising program which was *and still* is directed to educating people to the advantage of owning securities.

He put all salesmen on a salary basis instead of a commission basis and established other basic policies designed to serve and protect the interest of the individual investor.

Why a Salary Basis for Salesmen

Let me dwell briefly on this policy concerning compensation. Two things motivated Mr. Merrill in his decision to pay salesmen, or as we call them—Account Executives—on an annual salary basis instead of a commission basis.

First: He thought it in the salesman's best interest to be assured a fixed income on which a family budget could be set that would not be subject to the vicissitudes of market volume.

Second: He wanted to remove any suspicion on the part of the customer that recommendations to buy or sell were influenced by the commissions involved.

Since 1940 there has not been a single person at Merrill Lynch who has been compensated on a commission basis. To our salesmen we say that you may be getting fewer per cents at Merrill Lynch, but we think in the long run you end up with more dollars. That most of our people believe this to be true is indicated by the very few people we have lost to other firms over the years.

Partners and managers stopped competing with salesmen. Except in the smallest offices, managers were told to distribute the accounts they had been servicing among their salesmen, and to devote their energies to supervising their staffs. We stopped having House Accounts and saw to it that every account was assigned to somebody and that full credit was allotted. We divided up fairly the substantial walk-in business. Every effort was made to stimulate individual production and to build up the professional stature and dignity of the Account Executive position.

At the very outset Mr. Merrill made it perfectly clear that he believed the customer was the firm's customer and not the salesman's. While our advertising, sales promotion, and research material is designed primarily to help our salesmen, it is also very definitely designed to cement the customer to the firm.

Our sales salaries may seem on the low side percentagewise. However, if we add other costs such as advertising, research, and sales promotion, as they properly should be added in evaluating sales costs, then our total sales expense is in line with those of our more conservative competitors.

Mr. Merrill drove us hard in those early days following the merger, and himself harder than anybody else. In 1944 he suffered a heart attack which forced him to the sidelines. One of his oldest associates, Winthrop H. Smith, has carried on as Managing Partner since, but he and the rest of us continue to regard Mr. Merrill as the boss. No important decision is taken without his approval. He was the first person to advocate our coming to Canada, and he is as close as his telephone to all our basic problems.

Let me give you a few figures about our firm. Our personnel numbers about 4,000. We have 106 offices. Last year our gross income was $44 million. Our customers bought and sold $3½ billion in securities. We participated in the retail distribution of 371 security issues. We ranked 6th among all U. S. underwriting houses in corporate security offerings. We handled 1½ million security transactions, and 320,000 commodity transactions. We handled about 10% of all the round lot business on the New York Stock Exchange, and 15% of the odd lot business. All of these figures can be found in our Annual Report. Incidentally, we're the only brokerage firm in the States that issues such a report.

Do these figures impress you? Well, they don't impress us, because they represent only a frac-

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*An address by Mr. Magowan at the Annual Meeting of the Investment Dealers' Association of Canada, St. Andrews-by-the-Sea, New Brunswick, Canada, June 11, 1952.

Canada and International Trade

By GRAHAM TOWERS*

Governor of the Bank of Canada

Head of Canada's central bank recites postwar impediments to foreign trade and Canada's role in support of efforts to maintain a high level of international commerce. Calls attention to severe import restrictions throughout world, and urges their elimination, contending they weaken the economic structure of the free world. Foresees problem of obtaining raw materials supplies, and urges development of backward areas as of great and immediate importance. Concludes Canada needs flexibility in its economy and should continue to maintain high productive efficiency so as to meet world competition.

You may find it rather surprising that I should have chosen to speak today on some aspects of international trade. It is true, of course, that Canada's interest in this field is far from academic because our prosperity is heavily dependent on a high level of foreign business. On the other hand, there has been a tremendous amount of discussion of international trade and related problems during the last seven or eight years, and one might wonder what more could usefully be said. My intention is not to thrash old straw, but rather to assess, so far as I am able, the results of all the discussion and effort to improve international trading conditions in the postwar period. In other words, I propose to ask the score.

Graham Towers

As a first step, let me briefly sketch in the background, familiar as it may be to all of you. Long before the war ended, it was obvious that the disruption which it was bound to cause would leave many countries in a very weakened condition. For those which had suffered serious war damage or occupation, the task of restoring prewar conditions would be a formidable one. And yet this in itself was not enough. Such countries needed resources to look after growing populations and to hold out tangible hopes of improvement in prewar standards of living. The same could also be said of many countries which had not suffered war damage, but had been indirectly affected by the chaos in Europe and parts of Asia, and would continue to be affected by the weakened position of the European continent. The desire that things should be better, and the recognition that the strong must help the weak, was not inspired solely or even mainly by humanitarianism, in spite of occasional jeers to that effect from those who take a dark view of such things. It was based upon the belief that political security is founded on economic strength, and that unless the freedom-loving nations of the world could demonstrate their capacity for material progress, the international political consequences might be most unfortunate. Nothing has happened since the end of the war to indicate that this view was wrong.

Another belief was that economic strength could not be achieved if each country, or even groups of countries, put up barriers to trade and tried to pull themselves up by their own bootstraps. It was felt that the free world's interests could best be served by the maximum possible degree of economic cooperation between countries, so that the waste of resources in uneconomic production would be kept as low as possible. While later on, I shall express the view that the world has not made great progress toward this objective, I think the objective itself still makes sense.

Since the end of the war, the views and beliefs which I have mentioned have been given tangible expression in a number of different ways. Fifty-one countries associated themselves with the International Monetary Fund and the International Bank for Reconstruction and Development. The Articles of Agreement of the Fund in describing its purposes, state amongst other things that it is intended to facilitate the expansion and balanced growth of international trade and the development of the productive resources of all members. It is to assist in the establishment of a multilateral system of payments in respect of current transactions between members, and in the elimination of foreign exchange restrictions which hamper the growth of world trade. Another postwar development was the extension of very large credits by Canada and the United States to the United Kingdom and a number of other countries mainly in Western Europe. One of the purposes of these credits was to assist the countries concerned in assuming the obligations of multilateral trade. Subsequently, as we all know, the United States contributed vast sums under the Marshall Plan to help freedom-loving countries regain their strength and cast off the economic fetters which weakness almost inevitably imposes. I should mention also the formation of a group of about 40 countries in the general agreement on tariffs and trade commonly known as GATT. This group of countries has endeavored to promote the reduction of tariffs, and the simplification and standardization of customs practices, in the hope of eliminating a number of the handicaps to international trade. Last, but not least, there has come into being the North Atlantic Treaty Organization, a group primarily associated with defense but which recognizes in its charter the necessity for economic collaboration.

Canada's Role

It is not surprising that Canada has played a part in these affairs, or that Canadian postwar policy has been consistently directed towards the support of efforts to maintain a high level of international trade, to reduce or eliminate restrictions on imports, and to achieve convertibility of currencies. The attainment of such objectives would serve our best interests as well as—so I believe—the best interests of the world at large.

Today, seven years after the end of the war, it is, I think, worthwhile to inquire what degree of success has attended all these efforts, unprecedented in their scale. No one can deny that the positive accomplishments have been great. In the United Kingdom and the countries of Western Europe, industrial production is estimated to be some 50% higher than before the war—this in spite of the terrific losses and disruptions caused by six years of fighting and, in many cases, enemy occupation; in spite of the closing of age-old channels of trade and of dismemberment of certain countries; in spite of the continuous efforts of Russia to inspire confusion and fear. The task which faced many of the countries was not just one of reconstruction. It involved the painful building up of something new. We are surely entitled to take a good deal of satisfaction in the progress achieved since 1945, not only in the war devastated countries but in many other places round the world. At the same time, I think we would be well-advised to take a look at existing weaknesses in the world structure, not for the purpose of sterile criticism but as the basis for a sober appraisal of the present position and future prospects as far as anyone can understand them.

Eliminations of Import Restrictions

Time does not permit a survey on all fronts so to speak, and in any event I am not qualified for such a job. So I am going to confine myself to the subjects which formed such an important part of postwar hopes and planning, namely the elimination of import restrictions, the convertibility of currencies and restoration of multilateral trade. Here the record is an unhappy one. Convertible currencies can be numbered on the fingers of one hand, and trade restrictions, often of a highly discriminatory character, are the rule rather than the exception. Why should this be so? Why should a large part of the world still be in this fix seven years after the war, in spite of the enormous amount of money and effort devoted to the solution of the underlying problems? To this question you can get as many answers as there are men. One answer which seems to be popular in certain places is the bad behavior of the dollar countries—particularly the United States—in not buying enough from others. "The intractable dollar problem" it is called. Another reason given is that many manufacturing enterprises in the more highly industrialized countries of Europe have not been able to modernize their equipment and improve their processes to the extent achieved by those who were far from the scene of conflict and had ample resources at their disposal. Still another is the pressure of rearmament on countries which have relatively little to spare for this purpose if they are at the same time to maintain a tolerable standard of living. As regards certain countries—in the main, relatively undeveloped ones — which were not engaged in the war and are not burdened with substantial defense expenditures today, it is often pointed out that their growing populations and needs for capital development impose strains on their resources which almost inevitably result in import restrictions.

No doubt the various reasons put forward to explain the continuance of trade restrictions and currency inconvertibility all have

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*An address by Mr. Towers before the Investment Dealers' Association of Canada, St. Andrews-by-the-Sea, New Brunswick, Canada, June 13, 1952.

Canadians Can Profitably Export Capital

By HENRY BORDEN, C.M.G., Q.C.*
President, Brazilian Traction, Light & Power Co., Ltd., Toronto, Ont.

Prominent Canadian industrialist, after noting contribution made by foreign capital in development of Canada's economy, urges that businessmen seriously consider the exportation of capital to other countries for development purposes. Says recent removal of Canadian foreign exchange control regulations presents opportunity to greatly increase Canada's trade potential via overseas investment, and avers that successful experience of his own company in Brazil can be duplicated in other parts of South America. Commenting on Canada's "economic metamorphosis" since 1939, Mr. Borden observes that in ensuing 13 years nation's Gross National Product has increased by almost 90%; farm employment lowered by 25%, while non-farm employment has increased by 56%.

Henry Borden

During the past few years—and in recent months particularly—we in Canada have been conscious of the fact that much has been written and spoken about our country, our resources and our economic future. It would almost seem that some parts of the world regard our country as one "flowing with milk and honey." Perhaps they are aware, as we all must always be, that the flow of milk and honey is dependent on the flow of the sweat of our brows—and perhaps they are, with their flattering regard, giving us credit for a willingness to swell the flood. But, whatever the reasons, and there are many, for the attention we have received, two outstanding facts characterize our economic life today.

For one thing, confidence in the continuing development of Canada has resulted in a large influx of new capital. During the past two years this has amounted to a total of more than one and a half billion dollars, or approximately 15% of our aggregate capital expenditure during the period. Welcome as this new capital is, to assist us in the further development of our great natural resources—particularly our oil fields and iron ore deposits — it nevertheless brings with it not inconsiderable national and personal responsibilities, which we must face realistically. It means, for example, that we must make even greater efforts to increase our export trade in order to augment the funds with which to service this capital. It also means that we must make sure that this capital is efficiently applied to the job it is intended for. And not least, by any standards, it means that we, and our governments particularly, must provide safeguards against dissipation or confiscation of what is, after all, a reasonably worthwhile asset—at any rate $1½ billion of new capital seems worthwhile to me! In short, we cannot afford, for both practical and moral reasons, to borrow our neighbor's lawnmower and then run it over rocks and let destructive children play with it; we must, instead, care for it at least as well as if it were our own.

*An address by Mr. Borden at dinner given by Canadian Exporters' Association in connection with Canadian International Trade Fair, Toronto, Canada, June 6, 1952.

Importance of Foreign Capital

I know that there exists some suspicion and misunderstanding of the role of foreign capital—both money coming into Canada and Canadian money invested abroad. Recently there has been criticism of the great sums of United States capital invested in our western oil fields; the charge has even been made that we are "selling out" to the United States. The ridiculous nature of this charge is perfectly plain when the facts with respect to external investment in Canada are made known. The facts are that even if we were to consider net external investment in Canada as a mortgage on our national wealth, this mortgage has decreased during the past generation from 19.2% of Canada's wealth to less than 5% of that wealth today and this despite the heavy capital inflow to Canada which has taken place during the past two years. Far from feeling critical with respect to the receipt of capital from external sources for the development of our country, I feel that we, in Canada, have benefited immeasurably by such investments. In the case of oil, much of this country is now, for the first time, self-sufficient and while it is true that we must service this great new foreign investment, nevertheless, the cost of servicing the debt is offset by the saving effected in the reduction in petroleum imports.

The steel industry provides another example. Until recently this industry depended to a considerable extent on imported ore. Then United States capital, in conjunction with Canadian, developed Canadian ore deposits. Perhaps some felt that this was another case of "selling out" but today we are exporters of iron ore. We export nearly as much as we import, and our exports are to grow more rapidly than our imports of this commodity.

And could our pulp and paper industry have become a major contributor to Canadian prosperity without capital from outside Canada? The answer is, of course "No."

An equally vital import is, of course, people.

It is not really a digression from my theme to emphasize the fact that without people from the Old World, this hemisphere would not be a market for either goods or capital in any large amount. I think that both the historians and the economists agree that the growth of population is necessary to the growth of markets. There is no use bringing in capital if there are not people—workers—to use it. Likewise it is necessary to have capital if people are to be employed usefully.

Canada's Immigration Policy

It is gratifying, therefore, to note that public policy on the question of immigration to this country has reverted, at least to a degree, to the policy prevailing in the early years of the century when hundreds of thousands of people came to Canada each year. I am one of those who believe that the granting of visas to prospective immigrants should be quite easy. It might be that under rules of easy access, we would get relatively no greater number of undesirable residents than when we are terribly strict about the applicants' apparent health, mental and physical, and their political beliefs. In other words, I wonder whether the stern sifting that is attempted overseas keeps many undesirables out and whether it may keep out many others who would add much to the material and cultural progress of our country.

Canada has had a gratifying growth in population in the most recent decade, but we have room and opportunity for millions more. And at least you who are in the business of exporting and selling know that the word population is another name for consumers and every consumer is an actual or potential customer for each of you.

Canada's Remarkable Growth

The second outstanding fact of our present economic life, which I mentioned a few moments ago, is simply that we have grown—grown almost beyond belief. Since 1939 Canada has experienced what may be properly called an economic metamorphosis. During those 13 years the Gross National Product, in terms of 1935-39 prices, has increased by almost 90%, from $5,664 billion to $10,731 billion.

During the same period farm employment has, it is true, decreased by 25% to 1,016,000 persons but our non-farm employment has increased by 56% to 4,231,000 persons.

This change in the nature of employment is reflected in spectacular increases in the output of many commodities: newsprint production, last year at 5½ million tons, almost doubled, over the period; steel, at 3½ million tons, has more than doubled; aluminum, at 400,000 tons, increased five-fold; base metals, at 892,000 tons, increased by 10%; automobile production almost trebled from 155,000 units to 414,000; oil increased from 8 million barrels to 48 million; and electricity doubled to 57 billion KWH. And, in spite of the shift in employment, as a result of which there are now more than twice as many industrial workers as farm workers, the value of our agricultural product—and again I speak in constant terms of 1935-39 prices—has increased.

For many years Canada has been recognized as a great exporting country. In this respect she has been most fortunate, in that the bulk of the export trade consisted, and indeed still consists, of products greatly in demand by

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The Salesman Cometh

By TREVOR F. MOORE*

Director, Imperial Oil, Limited, Toronto

In stressing role of salesmen in securities business, Mr. Moore calls attention to plans of Investment Dealers' Association of Canada to educate both personnel and public in security buying. Points out keys to selling are knowledge, sincerity and enthusiasm. Urges Canadian investment firms educate public to the soundness of savings and investment to build up Canadian business and share in Canada's growth. Says regular buying of securities should increase funds for equity investment, and finds Canada an attractive land to invest in.

In the May issue of the "National Industrial Conference Board" is an article entitled, "For Chief Executives Only," in which an attempt is made to look at the boss himself. For your benefit, as the chief executives in your own businesses, let me summarize what this article had to say about you.

Trevor F. Moore

The chief executive is the most important individual in any business yet only too often he under-estimates his influence. His importance lies mainly in his office which is endowed with unique power regardless of the personal capacity of the incumbent and simply because it is the office of the chief executive. It is he who creates the spirit of the organization, its integrity, its ability to function as a unit, its policy and its hope. What the chief executive does is important, but what he stands for is often more important, for he will determine whether the business receives the full creative potential of its people. It is the opinion of a good many of you chief executives, and indeed the chief executives of a large segment of our wholesale and retail organizations in Canada, that we are approaching a period of business when the true salesman will be in his element—in his element because as a salesman he experiences the personal satisfaction, the thrill which one obtains from the making of a real sale.

You gentlemen are responsible for creating the spirit of your organization. To my mind that spirit shows up first and foremost in your sales department, the very heart of your business. Selling is the easiest job in the world if the salesman works it hard—but the hardest job in the world if he tries to work it easily.

Peculiarly enough, it was about a month ago that a very good friend of mine who heads one of the largest companies in Canada to manufacture and distribute ice, said to me: "All around me I see conditions from annual reports, monthly statistical reviews; I hear from my banking friends that business has reached its peak. Strangely enough that is borne out by the ice business. For over 40 years of close association with my business I have come with others to rely upon it as an indication of the buying habits of the general public. They are not buying ice now as they have been, and in relation to their personal incomes and savings." (It looks as if your statisticians and market forecasters have the basis for a new indicator—number of blocks of ice per square mile.) He ended up by saying that his route salesmen are going to have to live up to their name. It may no longer be a case of the iceman cometh, but the salesman cometh.

Two years ago, in the fall of 1949, I needed a car. I visited three different automobile showrooms and displayed interest. In not one case was I followed up and finally I called a dealer and after considerable effort on my part and delay of one month, received a car. Of course cars were short and customers were plentiful—but after buying the car I was not once followed up with service or courtesy calls,

This April I told a friend of mine in one of the banks that I would probably be looking for a car this next fall. Within 24 hours I received two telephone calls—one of them to the house, so that Mrs. Moore learned that I was thinking of a car. Within a week I had three good — and I mean good—salesmen from three different car agencies trying to sell—offering to demonstrate—bidding on my old car. On May 5th I bought—on May 23rd the salesman through whom I bought telephoned Mrs. Moore to ask how she liked the car — was everything satisfactory? On June 2nd I received a courteous letter from this salesman in connection with the car—servicing, etc. Our feeling is certainly one of warmth toward this dealer's organization and this salesman. Gentlemen, take a look around you, at other industries—textiles, household appliances and so on. There is selling going on—order-taking is nearly over.

This morning we have heard an extremely interesting account of the growth in business of the very well-known Merrill Lynch organization. In my opinion the key to the success of that very fine investment firm lies in Mr. Magowan's statement that Merrill Lynch is among the first firms sought after to participate in underwriting—because of its ability to sell. This ability to sell — to place securities—is the stock-in-trade of all investment houses which count for anything. Over a period of many years in both good times and bad that stock-in-trade, that very essential asset, is supplied only by a well-trained, intelligent and enthusiastic sales organization. [Ed. Note: Full text of Mr. Magowan's address appears on another page.]

You are aware of these things, of course. You know that the time of the salesman is not far distant, or you would not have asked Mr. Magowan to talk about merchandising securities. Bill Borrie, your President, tells me that quite a number of new men have come into the investment industry in recent years and are now finding the higher interest rates and lower prices a difficult hurdle to overcome with clients who bought at the top of the curve. Those young fellows need only to talk to any investment man who came through the depression of the 1930's. In those days it took real courage, but it paid, to face the client who blamed you and your organization for losing a substantial amount of his capital. What tougher background for selling than that which existed from 1930 through 1936? What courage and salesmanship were displayed then by the security houses, the underwriting firms! Those were selling days—those were tough selling days.

In the years 1946-47 following Victory Loan campaigns, senior men in the investment business gave considerable thought to the laying of plans for the purpose of, (1) educating members of the IDAC; and, (2) educating the public in the matter of security buying. Those plans, as I recall them, placed emphasis upon number "1" with a view to building up the investment dealer in his own eyes and strengthening the Association as such. The Number 1 plan involved training of investment personnel with junior and senior courses; with booklets and pamphlets available for public consumption and speakers from the Association at public gatherings. All who participated in those plans looked for regular improvement in the program, year by year, to the point (and that point you have apparently reached) where plan Number 2—educating the public in buying securities, could be embarked upon as a program. Quite obviously the success of Plan 2 depends upon how successful with all members of the Association Plan 1 has been. It requires only a few loosely ethical houses to brand all the investment and brokerage firms as a bad lot. I'm sure you will agree that it is in the interests of all investment houses, large and small, prominent or not, to promote in every possible way the aims of your Association for a high standard of ethics.

Then what about the high standard of salesmanship? I am quite sure that each investment house wants to train its own salesmen—indeed considers its own method of training better than that of any other investment house. I do suggest, however, that your Association could benefit the investment industry by making a course in security selling available to the budding security salesman. I presume that it would *not* be an easy matter to decide along what lines the course should be laid out, but surely there can be no conflict of opinion with respect to a course which at least prescribes full disclosure and a high standard of selling ethics.

Certain Criticisms

Forgive me now if by chance I impose upon your friendship by passing along certain criticisms. A week or two ago I took the liberty of contacting 12 different people, four were buyers for insurance companies, three purchased securities for investment trusts and the remaining five were wealthy enough to buy for their own account or for corporate account. I did not send them any questions—I merely told them I was going to be here and then asked them to make some observations concerning security salesmen. Here was an opportunity

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*An address by Mr. Moore before the Annual Meeting of the Investment Dealers' Association of Canada, St. Andrews-by-the-Sea, New Brunswick, Canada, June 11, 1952.

In Attendance at I.D.A.C. Convention

AIKMAN, R. E.
Jones, Heward & Co., Montreal

ANNETT, D. R.
Equitable Securities of Canada, Limited, Toronto

ARBOUR, M.*
W. C. Pitfield & Company Ltd., Montreal

ARMOUR, A. D.
Brawley, Cathers & Company, Toronto

ARMSTRONG, C.
Gairdner & Company Limited Toronto

ARMSTRONG, D. B.
Nesbitt, Thomson & Company Limited, Saint John

ARMSTRONG, D. W.*
G. E. Leslie & Co., Montreal

BACKUS, H. S.*
McLeod, Young, Weir & Company Limited, Toronto

BAGNALL, E. M.*
F. J. Brennan & Co., Ltd., Saint John

BARBOUR, K. F.*
F. J. Brennan & Co., Ltd. Saint John

BARKER, A. J.
Thomas B. Read & Company, Vancouver

BARTRAM, R. C.
McCuaig Bros. & Co., Montreal

BELL, L. L.
James Richardson & Sons, Toronto

BENHAM, H. A.
Royal Securities Corp., Ltd., Winnipeg

BEVES, G. E.
Calvin Bullock, Ltd., Montreal

BINMORE, Frank
Dominion Securities Corp. Limited, Montreal

BLACKMORE, Ralph
Globe & Mail, Toronto

BORRIE, W. J.*
Pemberton Securities Limited, Vancouver

BRADSHAW, C. N.*
W. C. Harris & Co. Limited, Toronto

BRENNAN, F. J.*
F. J. Brennan & Co., Ltd., Saint John

BRETTINGHAM, S. J.*
Financial Counsel, Montreal

*Denotes Mr. and Mrs.

BRITTEN, D.*
W. C. Pitfield & Co., Ltd. Saint John

BROWN, W. T.*
Odlum Brown Investments Ltd., Vancouver

BRUNELLE, Guy *
L. G. Beaubien & Co., Ltd., Montreal

CARTAN, A. J.
Harrison & Company, Ltd., Toronto

CHIPPINDALE, A.*
Calvin Bullock, Ltd., Montreal

CLARK, R. E.
Calvin Bullock, Ltd., Montreal

CLEMENT, Marcel
Le Canada, Montreal

COLLIER, W. T. K.
Collier, Norris & Quinlan, Ltd., Montreal

COLVEY, D.*
Canadian Dow Jones, Montreal

CONNELL, P. F.*
F. J. Brennan & Co., Ltd., Saint John

COYNE, B. L.
Deacon Findley Coyne Ltd., Toronto

CREIGHTON, D. B.
Nesbitt, Thomson and Company Limited, Montreal

CROOKSTON, J. I.*
Nesbitt, Thomson and Company Limited, Toronto

CUNDILL, J. P.
Craig, Ballantyne & Co. Ltd., Montreal

CURRIE, D. W.
Burns Bros. & Denton, Limited, Toronto

DALY, R. A., Jr.
R. A. Daly Co. Limited, Toronto

DANIEL, S. M.
Eastern Securities Co. Ltd., Halifax

DAVIE, J. H.*
Dominion Securities Corpn., Ltd., Toronto

DEACON, F. Coulter*
Deacon Findley Coyne Limited, Toronto

DEACON, Paul S.
Financial Post, Montreal

DINNICK, J. S.*
McLeod, Young, Weir & Co. Ltd., Toronto

DOWNES, W. L.
Kippen & Co. Inc., Montreal

DUFFIELD, A. R.
Wood, Gundy & Co. Ltd., Montreal

DUNN, T. H.*
J. T. Gendron Inc., Quebec

EDWARDS, J. C.*
Matthews & Company, Toronto

ERTL, E. C.*
Financial Times, Montreal

ETHIER, P. E.
Savard, Hodgson & Co. Inc., Montreal

EVANS, F. O.*
McLeod, Young, Weir & Co. Ltd., Montreal

EVANS, W. J. S.
Guildhall Securities Limited, Montreal

FAIRCLOUGH, R. P.
R. A. Daly Co. Ltd., Toronto

FAULKNER, J. D.
Wood, Gundy & Company Limited, Montreal

FERGUSON, J. R.
Nesbitt, Thomson and Co. Ltd., Montreal

FISHER, F. C.*
Eastern Securities Co. Ltd., Saint John

FITZPATRICK, F. M.
A. M. Kidder & Co., Montreal

FRANCIS, A. F.
A. F. Francis & Co. Ltd., Toronto

FRANCIS, G. E.
Royal Securities Corp. Ltd., St. Stephens

FROST, C. L.
Investment Dealers' Digest, Chicago

GAIRDNER, J. S.
Gairdner & Company Limited, Toronto

GASSARD, H. L.
Investment Dealers' Association, Toronto

GEE, Hartland*
Canadian Alliance Corp. Ltd., Montreal

GILBERT, F. L.*
Stanbury & Company Limited, Dartmouth

GINGRAS, G.
Rene-T. Leclerc Inc., Montreal

GLASGOW, E. E.
Peter D. Curry & Co. Ltd., Winnipeg

GORDON, A. S.
Royal Securities Corp. Ltd., Montreal

GRAHAM, C. T.*
Waterloo Bond Corp. Ltd., Kitchener

GRAHAM, John
John Graham & Co. Ltd., Ottawa

GRAY, J. A.
James Richardson & Sons, Toronto

GRENIER, J. N. E.
Grenier, Ruel & Cie Inc., Quebec

GRIFFIN, F. E.
Greenshields & Co. Inc., Montreal

GRIFFIN, H. S.
Wood, Gundy & Co. Ltd., Halifax

GUNN, N. H.
Bell, Gouinlock & Co. Ltd., Toronto

GUPTILL, F. R.*
F. J. Brennan & Co. Ltd., Saint John

HAMM, G. P.*
Nesbitt, Thomson and Co. Ltd., Montreal

HANLEY, P. K.*
C. C. Fields & Company, Toronto

HANSON, T. R.*
Burns Bros. & Denton Ltd., Toronto

HEAYBERD, W. V.
Nesbitt, Thomson and Co. Ltd., Montreal

HEBB, R. C.*
Dominion Securities Corp. Ltd., Halifax

HEIM, H. C.*
Empire Trust Company, New York

HERMAN, H. G.
A. E. Ames & Co. Limited, Calgary

HERRNDORF, H. H.
Herrndorf Securities Ltd., Winnipeg

HILLS, H. H.
Royal Securities Corp. Ltd., Halifax

HODGSON, J. A.*
C. J. Hodgson & Co. Ltd., Montreal

HOLLEBONE, B. C.*
F. J. Brennan & Co. (N. S.) Ltd., Saint John

HONDERICH, Beland
Toronto Daily Star, Toronto

HOWARD, G. R.*
F. J. Brennan & Co. Ltd., Charlottetown

HOWARD, R. P.
Gairdner & Company Limited, Montreal

HOYT, C. G.
Brawley, Cathers & Company, Toronto

HUGHES, J. R.
Royal Securities Corp. Ltd., Montreal

HUGMAN, V.
Belanger Inc., Montreal

HUNT, A. D.
W. C. Pitfield & Co. Ltd., Montreal

JACKSON, L. S.*
L. S. Jackson & Co. Ltd., Montreal

JACKSON, Miss Madeleine
L. S. Jackson & Co. Ltd., Montreal

JAFFRAY, T. P. N.
Dominion Securities Corp. Ltd., Toronto

JOHNSON, G.*
Credit Interprovincial Ltee., Montreal

JOHNSTON, Reed*
G. E. Leslie & Co., Montreal

JONES, R. M.
Eastern Securities Co. Ltd., Charlottetown

KEATOR, A. S.
Dominion Securities Corp. Ltd., Montreal

KEELEY, C. P.*
McLeod, Young, Weir & Co. Ltd., Toronto

KENT, H. C.
A. E. Ames & Co. Ltd., Montreal

KILBURN, Peter
Greenshields & Co. Inc., Montreal

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Mutual Fund Investing in Canada

By ALFRED E. BORNEMAN

Advertising Manager, Kidder, Peabody & Co.
Members, New York Stock Exchange

Commenting on formation in U. S. of Mutual Funds to invest in Canada, Mr. Borneman cites progress of British investment companies in foreign investment field. Points out opportunities for capital in Canada and holds now is appropriate time for diversified investments in Canada by mutual funds. Lists Mutual Funds recently organized for making investments in Canada, and lauds opportunity thus given small investors to participate in Canada's progress.

Mutual funds, recently organized in the United States to invest in Canada, meet a need which has been building up for a long time.

Alfred Borneman

For a period of about 20 years, wars, currency restrictions and legal obstacles have prevented formation of investment companies in the United States, designed to offer investment in foreign countries. The year 1952 will go down in the history of investment companies in the U. S. as the year in which the first mutual fund of important size organized primarily to invest in foreign securities was offered to investors in the United States.

The role of the investment trust as a vehicle for the export of capital from one country to another is very old. In fact, of the 47 trusts organized in Great Britain between 1860 and 1890, virtually all were formed to take advantage of investment opportunities abroad. Our own pioneer investment trusts also bore this characteristic. For example, the International Securities Trust of America organized in 1921, had a charter provision that not more than 70% of total funds could be invested in the United States.

Periods of active formation of new investment trusts generally developed as a result of broad economic changes either at home or abroad which have created unusual investment opportunities. Thus it was that low interest rates at home and high rates in the United States caused the rapid formation of investment trusts in England and Scotland during the eighties. Debenture capital could be raised at 3¾% to 4½% and funds invested in the United States at 7% to 10%. These trusts were usually organized with about 65% debenture and 35% share capital. The resumption of specie payments in 1879 caused the creation of trusts for investment in our depreciated municipal bonds, which yielded up to 10% at the time.

In a later period of investment trust formation, from 1902 to 1914, easy money, and low interest rates on bonds available for investment caused a shift of investment by British trusts to American shares and investments in colonial development, with the result that a greater proportion of capital was raised by sale of shares rather than debentures and greater emphasis was placed on skill in selection. The first World War, which converted the United States from a debtor to a creditor nation, changed all this, however, and in 1921 there was a wholesale liquidation of American securities held by British trusts to invest at greater returns at home, in South America and in the colonies.

Opportunities for Capital in Canada

The Second World War brought about political and economic changes of such scope and magnitude affecting the economy of the United States that American investors in increasing numbers have been looking for investment opportunities abroad, especially as they exist in Canada, now known to be a nation possessing natural resources of incalculable extent in the early stages of development. Political changes caused by the Second World War of great significance to investors were: (1) the acceptance of responsibility for policing the world, formerly borne by Great Britain; (2) the rise of a rival world power, communist Russia, as a threat to peace; and (3) imposition of wartime and postwar economic controls to implement the defense effort. Economic changes of great significance to American investors resulting from these and other political developments are the following: (1) We now have a burden of individual income taxes at rates so high that increasing numbers of investors are obliged to look for capital gain rather than income; (2) highest corporate tax rates record for peacetime plus excess profits taxes to finance armament, limit at least temporarily the opportunity for substantial enhancement in value of domestic industrial stocks; and (3) government controls and liberal attitude of government toward labor has caused management in many key industries to have great difficulty in controlling costs.

Moreover, development of Canada's natural resources received a great stimulus as a result of World War II. The vast quantities of raw materials produced for the war caused a considerable reduction in our low-cost reserves of many important basic materials. Because of either increased demand or diminished supply, we must now rely on Canada for supplies of such important materials as newsprint, cellulose in the form of wood pulp, nickel, asbestos, iron ore, aluminum, zinc, lead and titanium. Intense activity in the development of oil reserves in Canada, aside from the investment opportunities presented by the shares of oil companies, is having a salutary effect on the basic credit position of the country. Previous to the development of oil resources, Canada was obliged to find about 250 to 300 millions of dollar exchange annually to pay for imports of crude oil and petroleum products. In many recent years not affected by the war this amount came close to the total adverse balance of payments on account of trade with the United States. Thus, when Canadian oil production increases to the point where the nation's own domestic needs will be met, a few years hence, as appears indicated, a considerable burden on Canadian exchange will be lifted. Furthermore, there is the possibility that ultimately exports of crude oil will be made to our Pacific Coast area where a shortage exists. Natural gas is already being exported on a limited scale to the United States through sales to the Montana Power Co.

Thus, a combination of far-reaching political and economic developments created a need for a vehicle by which the American investor could take advantage of the unusual investment opportunities which have resulted from these political and economic changes. Many American investors were reluctant to "go it alone" in the selection of appropriate stocks from the bewildering array of new issues being brought to the market as a result of Canada's rapid development. There was a great need for a "spread" in investing in the development companies especially among western oil stocks. Then, too, there was great need not only for skill and experience in selection but also supervision by those familiar with Canadian investing.

Organization of Mutual Funds For Investments in Canada

It was logical that the mutual fund form of investment trust be selected to meet the requirements of investors seeking a medium for diversified investment in Canada. The mutual fund is America's own refinement of the best investment trust experience covering wars and the problems of deflation and inflation of the past 30 years. Mutual funds have built up a high degree of acceptance by investors. People are familiar with this form; like their method of paying dividends, and the formula for qualifying under the SEC laws and the Blue Sky Laws of the various states is well established.

It was natural that the Calvin Bullock organization would take the leadership in meeting these needs by the formation of Canadian Fund, Inc., whose shares were offered to the American investing public on April 30, 1952, by a group of 102 underwriters headed by Kidder, Peabody & Co., and Dominick & Dominick, aided by 174 selected dealers. The offering consisted of 900,000 shares of common stock at $12.75 per share which provided the company with $10,610,000 of capital with which to begin business, after underwriting discounts and expenses. During the period of the initial offering, the company was a closed-end investment trust, but upon termination of the offering the company became a diversified,

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The Salesman Cometh

through me for these security buyers to pass on constructive comments without fear of their names being disclosed. Many of the comments were trivial and indicated that some salesmen in the business were obviously better trained than others, and in this connection the size of the firm wasn't always the *sine qua non*. Here they are:

It is surprising the number of salesmen who take for granted they cannot get into a certain account — and never try. The reason for this is that the salesman and of course the firm think there is a close connection between the investment account and another investment house.

There is a rather general tendency for security salesmen to read the circular in a hurry and rush to the investor before the latter accidentally hears of it from someone else. In this connection a telephone call stating that the salesman plans to make the offering the following day as soon as he has all the information at his finger tips, would probably be sufficient to hold the buyer at least overnight.

Incidentally, one of the matters which I called trivial which I now realize was expressed by all of the 12 individuals was the matter of an appointment. As one of the buyers said to me: "There are four or five investment firms which we have been dealing with for years and none of them ever came in to see me without telephoning first. On the other hand it is surprising how the younger men will drop in casually when I have 15 minutes to prepare for a meeting of the Investment Committee or at 20 minutes to 5 when I am just getting my desk cleared for the night." Such an individual obviously has three strikes against him, and as this buyer said, "'I am irritated to start with."

Another trivia which I will not enlarge upon is that there are still some men who ask for a deal because they haven't had one for six months. You will note I said "men" and not "salesmen."

Perhaps one of the most interesting observations was made by two of the institutional buyers. It was so interesting that I checked back with the other two buyers of this type of security and asked if they agreed and they said they did. Here was the observation: The majority of security salesmen (and I suggest the institutional salesman make note of this) the majority of security salesmen take for granted that we will make our own cold analysis of the security offered and not be influenced by the salesman's knowledge, sincerity and enthusiasm. This is not the case, particularly when the salesman is known and the firm well-regarded. The institutional buyer says, "I'm definitely influenced by the enthusiasm and sincerity of the security salesman, and if he sells me, I will go a long way down the road to sell my investment committee. On the other hand, if I am left with the cold facts and figures in black and white, I may or may not become enthusiastic."

As I have said many times in the past and have already mentioned here this morning, the key to all this business of selling is knowledge, sincerity and enthusiasm — no matter to whom you are selling. You know as I do that the salesman should be inoculated with good heavy doses of all three.

Gentlemen, you represent organizations which are not only sharing in but helping to promote the long-term growth and development of this country. You know better than I that well-trained personnel, enthusiastic and knowledgeable salesmen will always be your chief assets. Are you giving them plenty of attention? As chief executive you are the one to develop the creative and sales potential of your organization. Are you doing so? Is the Association of any help?

In recent years capital has grown — (taxes have spread it thinner) — and there has been a vast increase in the number of capitalists. To keep pace, the investment business eventually will follow the lead of other industries and develop mass merchandising methods. The methods of Mr. Magowan's firm can be taken as a splendid model.

In this connection, let me digress slightly. We live in an age when "clipping" the rich is popular, and I must say that within reason I applaud so long as the incentive for risk-taking is not destroyed. But when you reach the point of getting 75%—85%—90% of individual income, then I think you're taxing opportunity and growth. At levels in excess of 50% the income tax is not only a tax on the rich but also a tax on the chances of the poor to become rich. The man who inherits a fortune can pay 50%—90% income tax and suffers not too much —the man who is trying to save and invest cannot pay it and accumulate a fortune.

Assuming this state of affairs continues, you gentlemen, your firms, and certainly your Association, have a tremendous task of educating the public to the soundness of saving and investing in order to share in Canada's growth and build their savings. We all want Canadian capital to develop Canadian business — to benefit from the country's growth. The opportunity for this lies of course in the ownership shares of our companies—equity.

While I would not for a moment underestimate the importance of investigating and analyzing individual securities, it does appear advisable that more prominence should be given to the old adage of, "It's not only what you buy but when you buy it that counts."

There are a great many advantages to this approach in the problem of merchandising securities—for one thing, if investors adopted regular buying programs, they would derive greater financial benefit over the years. I will always remember when I was in the investment business advising a good solid investor that he should be buying more securities — the time was ripe. And he replied, "Moore, I always invest at the first of each quarter and have done so regularly for 25 years—it's a good system." Such regular investing on the part of many would tend to close the wide gaps between capital demand and capital supply. From the industrial point of view, it would make public investors a more reliable source of funds.

Any such regularization of private security buying should increase the sums available for equity financing. I believe that more of Canada's capital should and could be put into equity investment. Over the pull, I think more of this "risk capital" would be forthcoming if investors spread their buying, regularized their buying, instead of concentrating at periods of high prices.

The past 20 years have seen a growing familiarity on the part of the general public with industry and industrial techniques. Investment firms have played a large part in this job, as have governments, educational authorities and the informational services of industry.

I believe that the past 20 years have brought to the average man a far better concept of what industry is and how it operates. As a growing industrial nation we are taking our educational responsibilities in this regard very seriously, and the improved understanding that results is one of our best guarantees for the future.

Not only have you better customers to sell to, you have a better product to sell. Canada, even 50 years ago, was regarded as an attractive land in which to invest. Today, many people think it is the only land in which to invest —and you and I think they are right.

IDAC Convention Big Success Says Borrie

The annual Convention of the Investment Dealers' Association of Canada this year was most successful, with the largest attendance on record, according to Wilfrid J. Borrie, Pemberton Securities Limited, Vancouver, the retiring President of the Association. The inclusion of wives of the delegates at the Convention was extremely popular and will be continued next year.

The 1953 Convention will be held in the early part of June at Bigwin, Ontario, dates to be announced later.

Nature and Size of Canadian Industries

Brief comment on nature, size and growth of various industries in Canada as contained in study "Private and Public Investment in Canada, 1926-1951" issued by the government's Department of Trade and Commerce.

In acknowledgment of the great demand from public and private sources for comprehensive and up-to-date information on the subject, the Canadian Department of Trade and Commerce has prepared a voluminous study entitled "Private and Public Investment in Canada, 1926-1951." The report, prepared by Dr. O. J. Firestone, the Department's Economic Advisor, contains a wealth of data that should be of interest not only to Canadians but also to investors in the United States and others who may be interested in obtaining authoritative information relative to the phenomenal growth of Canada and its industries, particularly in recent years. Among the sections included in the study is one containing an analysis of the economic developments for each of the major industry groups in Canada since 1926. The following are extracts from this section of the study.—Editor

Food and Beverage Industry

The industry is the largest manufacturing group in terms of the number of persons employed and gross value of production. It operates some 8,600 plants employing over 170,000 people and in 1950 gross value of production amounted to about $3 billion. In terms of net value of production the industry contributed 15% of total manufacturing output, a proportion exceeded only by the iron and steel and their products industries. About one-quarter of the number of enterprises in the industry are corporate entities, accounting for about four-fifths of the employment. The remaining business is being conducted by individuals, partnerships and cooperatives. Less than 10% of domestic requirements for food and beverage products is met by imports. The industry, which in the early postwar years used to export up to one-quarter of its output, more recently has had to rely to a greater extent on the domestic market. In 1950 exports amounted to only 13% of domestic production.

Rubber, Leather and Tobacco and Their Products Industry

This group of industries operated about 900 plants in 1950, employing some 65,000 people, producing a total gross value of output of $744 million and contributing 5.9% to the total net value of manufacturing production. About half the number of firms in this industry group are corporate enterprises and they do over nine-tenths of the business. These industries have grown less rapidly than most other manufacturing industries. In 1939 they provided employment for about 8% of all persons working in manufacturing industries. By 1950 this proportion had declined to 6% in spite of the fact that some 40 new large and medium-sized firms were established in Canada in the postwar period, providing an additional 1,200 jobs.

The domestic market is the chief outlet for the products of the animal and vegetable nonfood industries. In 1950 imports amounted to only 5% of domestic supply while exports accounted for less than 3% of domestic production.

Primary Textiles and Their Products Industry

At the end of 1950 the primary textiles and their products industries operated about 900 establishments, employing some 78,000 men and women and producing an output of about $718 million worth of materials and articles during the year. The net value of output of the industry was more than $300 million, or about 5% of the total net value of manufacturing production in Canada in 1950. About three-fifths of the number of firms operating in this field were incorporated companies, responsible for approximately 95% of the total output and concentrated in the provinces of Quebec and Ontario. The industry primarily serves the domestic market, with only about 3% of its output being exported. Imports generally supply about one-quarter of total demand for primary textiles and textile products other than clothing.

Like most other manufacturing industries this industry has grown rapidly in the last decade. From 1939 to 1950 the number of plants more than doubled. Employment and output in *volume* terms rose by more than 50%. If no allowance is made for price changes, gross value of production by the industry was about four times as large in 1950 as in 1939. In this period, the development of new commodities, the introduction of new techniques and processes, as well as the rapid growth of the domestic market stimulated expansion of the industry. Manufacture of rayon was expanded and production of nylon yarn and nylon products was first undertaken. Canadian producers now supply the bulk of Canadian synthetic raw material requirements. Expansion of the industry is reflected in the large capital expenditures made by manufacturers and by the number of new firms entering the textile business. Since the beginning of 1946 some 67 new textile companies of medium and large size have come into operation, providing employment for about 2,100 workers, thus contributing another 3% to employment in the industry.

Wood and Its Products Industry

The industry contains the largest number of operators of any of the manufacturing groups. In 1950 there were over 11,600 establishments in operation, employing some 124,000 people and producing over a billion dollars worth of lumber products of various kinds. The industry contributed about 8% to total manufacturing net value. Although the proportion of firms operating as corporate enterprises was comparatively small, less than 20%, they were responsible for about three-quarters of the business of the industry. A large share of the Canadian output goes to the domestic market, although purchases by foreigners are also important. Exports amounted to over one-third of production in 1950. Imports comprise only 2% of domestic consumption.

The heavy demand for lumber products in the postwar period was responsible for the entry of a large number of operators into the field. In fact, their number more than doubled in the period from 1939 to 1950. Employment, however, increased by a somewhat smaller proportion, suggesting that many of the new firms were small-scale operators. Only about 160 new firms which have come into operation since 1945 have reported employment of 10 or more persons each. These companies provided over 5,000 jobs, or an average of 30 employees per plant.

Pulp and Paper and Their Products Industry

The industry comprises over 500 enterprises employing about 80,000 people. Pulp and paper mills number 125 and provide jobs for about 55,000 persons. The remaining 25,000 persons are working in some 400 establishments producing a variety of paper products. In 1950 the industry as a whole contributed 10% of the total net value of production by all manufacturing industries. Its gross value of production was of the order of $1.2 billion, of which pulp and newsprint production accounted for about three-quarters and the remaining one-quarter represented the value of other paper products. Corporate enterprises made up more than four-fifths of the industry and were responsible for 99% of its business and employment.

The establishment and growth of Canada's pulp and paper industry have been based upon the nation's abundant resources of timber, water and water power. A mass market for its products in the United States has also had an important influence on the structure and development of the industry. These are the major factors which have contributed to making Canada the world's largest producer of newsprint, producing nearly three-fifths of the world's total supply. Canada produces one-third of the world's pulp exports and is a leading manufacturer of various grades of pulp and paper products. Of the total output of $1.2 billion in 1950, some two-thirds was sold abroad, mainly to the United States. This proportion was notably higher for newsprint, more than 90% of Canadian production being exported. Imports, while small in relation to total production, are important in certain specialized lines such

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In Attendance at I.D.A.C. Convention

KINGSMILL, J. A.
Investment Dealers' Association, Toronto

KIPPEN, E. D. B.
Kippen & Co. Inc., Montreal

KIRBY, W. J.
Eastern Securities Co. Ltd., Saint John

KNIGHT, H. J.
Walwyn, Fisher & Co. Ltd., Toronto

LANG, A. G.*
Burns Bros. & Denton Ltd., Toronto

LEVESQUE, J. L.
Credit Interprovincial Limitee, Montreal

LEWIS, B. S.
Craig, Ballantyne & Co. Ltd., Montreal

MacCALLUM, C. L.*
F. J. Brennan & Co. Ltd., Sydney

MacDONALD, N. D.*
G. E. Leslie & Co. Ltd., Montreal

MacKAY, H.
W. C. Pitfield & Co. Ltd., Toronto

MacKENZIE, Dr. Norman
University of British Columbia, Vancouver

MacMURRAY, J. A.
Eastern Securities Co. Ltd., Saint John

MacNAMES, G. P.
N. L. MacNames & Co. Ltd., Toronto

MacNAMES, N. L.
N. L. MacNames & Co. Ltd., Toronto

McALPINE, W. D.
Brawley, Cathers & Company, Toronto

McAVITY, J. M.
W. C. Pitfield & Co. Ltd., Toronto

McCARTNEY, D. G.*
Eastern Securities Co. Ltd., Saint John

*Denotes Mr. and Mrs.

McCUAIG, H. R.*
McCuaig Bros. Inc., Montreal

McCUTCHEON, C. L.*
Bankers Bond Corp. Ltd., Toronto

McDOUGALL, P. D.
McDougall & Cowans, Montreal

McKIBBIN, R. B.
Bank of Canada, Ottawa

MAGOWAN, Robert A.
Merrill Lynch, Pierce, Fenner & Beane, New York

MAJOR, G. C.*
Canadian Alliance Corp. Ltd., Montreal

MALLON, F. P.
Harrison & Co. Ltd., Toronto

MATHESON, A. I.
Dominion Securities Corp. Ltd., Montreal

MEGGESON, J. R.*
J. R. Meggeson & Co. Ltd., Toronto

MINGO, E. W.
G. E. Leslie & Co., Halifax

MOORE, T. R.*
Imperial Oil Limited, Toronto

MOORE, W. R.*
Stanbury & Co. Ltd., Halifax

MORROW, J. C.
G. E. Leslie & Co., Halifax

MORTON, J. M.*
Molson Securities Limited, Montreal

MURPHY, H. E.*
Commercial and Financial Chronicle, New York

NEVILLE, H. E.
Gairdner & Company Limited, Montreal

NEWMAN, M. F.
Cochran, Murray & Co. Limited, Toronto

NIGHTINGALE, G. F.
A. E. Ames & Co. Limited, Toronto

OBORNE, J. R.*
Nesbitt, Thomson and Co. Ltd., Toronto

O'BRIAN, R. B.
Wood, Gundy & Company Limited, Toronto

O'DONOHOE, A. J.
A. F. Francis & Co. Ltd., Toronto

OGILVIE, L. F. W.
Morgan, Kempf & Robertson Ltd., Montreal

OSBURN, A. G.*
Pemberton Securities Limited, Vancouver

OUIMET, R.*
Dawson, Hannaford Limited, Montreal

PARTRIDGE, D. W.*
Canadian Alliance Corp. Ltd., Montreal

PAVEY, W.*
W. C. Pitfield & Co. Ltd., Montreal

PEPALL, W. G.*
Bell, Gouinlock & Co. Ltd., Montreal

PEQUEGNAT, J. A.
Cochran, Murray & Co. Ltd., Toronto

PETERS, C. L.
F. J. Brennan & Co. Ltd., Saint John

PETRIE, J. R.
Jones, Heward & Co., Montreal

PHIPPS, G. E.
Dominion Securities Corp. Ltd., Toronto

PIPER, W. J.
A. E. Ames & Co. Ltd., Montreal

PLAXTON, A.
Intercity Securities Corp. Ltd., Toronto

POPE, E. R.*
Ross, Knowles & Co., Toronto

PORTER, J. D.
A. E. Ames & Co. Ltd., Montreal

PURDY, C. E. M.
Stanbury & Co. Ltd., Saint John

PURDY, W. R. M.*
F. J. Brennan & Co. Ltd., Saint John

PURVIS, A. B.
Calvin Bullock Ltd., Montreal

READ, W.*
W. C. Pitfield & Co. Ltd., Moncton

REEVE, Miss Fern
Court Reporter, Montreal

ROBSON, Wm.*
A. E. Ames & Co. Limited, Toronto

ROGERSON, E. A.
Mills, Spence & Co. Ltd., Toronto

ROSE, Frank*
Dow Jones, New York

ROSS, G. Allen
Collier, Norris & Quinlan Ltd., Montreal

ROWAN-LEGG, E. S.
Stanbury & Co. Ltd., Halifax

ROWE, H.*
Bell, Gouinlock & Co. Ltd., Montreal

SCOTT, L. W.
Ross, Knowles & Co., Toronto

SHAW, D. B.
A. E. Ames & Co. Ltd., Toronto

SIMPSON, D. G.*
Midland Securities Corp. Ltd., Toronto

SKELLY, D. A.
A. M. Kidder & Co., Montreal

SKULLY, H. D.
Eastern Securities Co. Ltd., Fredericton

SMALLWOOD, Hon. Joseph R.
Premier of Newfoundland, St. John's

SMITH, C. Teskey*
Harrison & Co. Ltd., Toronto

SMITH, J. B.
Wood, Gundy & Co., Toronto

SOMERVILLE, G. L.*
Carlile & McCarthy Ltd., Calgary

SPRAGGE, W. P.
A. E. Ames & Co. Ltd., Toronto

STEPHENS, S. C.*
James Richardson & Sons, Winnipeg

STEWART, G. C.
Royal Securities Corp. Ltd., Toronto

STYLES, Arthur*
Empire Trust Company, New York

SWINDELL, G. A.
Wood, Gundy & Co. Ltd., Winnipeg

TATTON, L. A.
James Richardson & Sons, Toronto

THOMAS, George N.
Harrison & Co. Western Ltd., Winnipeg

THOMSON, K. B.
Investment Dealers' Association, Montreal

TOWERS, Graham
Bank of Canada, Ottawa

TRUDEAU, R. N.
Savard, Hodgson & Co. Inc., Montreal

TURGEON, Henri
Greenshields & Co. Inc., Montreal

TURNEY, A. H.
Brian Locke & Co. Ltd., Calgary

URQUHART, D. E. B.
James Richardson & Sons, Montreal

VIDRICAIRE, H. J.
James Richardson & Sons, Montreal

VIRTUE, L. W.
James Richardson & Sons, Toronto

WHITE, W. T.*
G. E. Leslie & Co., Montreal

WILLIS, J. W.*
F. J. Brennan & Co. Ltd., Saint John

WILSON, G. M.
Equitable Securities of Can. Ltd., Toronto

WINSLOW, J. D.*
Winslow & Winslow Limited, Woodstock

WINSLOW, J. E. C.
Winslow & Winslow Limited, Woodstock

WOOD, J. D.
Nesbitt, Thomson and Co. Ltd., Montreal

WOOD, J. Duff
Fry & Company, Toronto

WOODCOCK, W. A.*
Burgess & Co., Toronto

WRIGHT, R. K.
Mills, Spence & Co. Ltd., Toronto

YOUNG, N. D.
Dominion Securities Corp. Ltd., Toronto

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Private Enterprise at Work in Newfoundland

sking myself—I couldn't help it nd must repeatedly do so—does anada deserve to have all this wealth undeveloped while other parts of the world, working night and day, long hours, can't conceivably begin to produce the standard of living that has been accomplished in Canada with a third or a fourth of the amount of physical effort being expended all the time in some parts of the Continent of Europe.

I have been greatly impressed, greatly impressed indeed, by the thought that Canada is not developing to the extent possible—and I know a newcomer from a new Province would be expected, in talking with his new fellow Canadians of three years standing, to indulge more in flattery and more in mutual congratulations about the great nation we are and the great strides we are making. I don't deny that great strides are being made when you relate them and compare them with the past, but I am not satisfied, personally, that we in Canada are developing Canada as rapidly as it can be developed and as it ought to be developed. But I go back to the point I made at the outset, namely that in the vast need for the development of Canada you gentlemen can play and I think you do play the greatest single part taken by any class of men in Canada today. Comparisons are odious and I would not for a moment wish to underestimate the importance of other classes of people in our community. But I am always a little overawed when I meet investment dealers because I feel that they must surely be amongst the best informed people of all the population so far as Canada's economy is concerned. I dare say, if the truth were known, there isn't a gentleman present here today but who has personally investigated not one, not a dozen, but 50 industries. He has been under that necessity, because of his work, to investigate closely the position of at least 50 different industries in Canada, and of no other class of people in Canada can that be said with any truth or with any realism.

Dealers Should Study Newfoundland's Economy

Now, I would say that each one of you is probably quite an authority on the industries of all the provinces of Canada and an authority on all the governments of Canada and on the affairs of all the Provinces of Canada, and I do suggest to you that now that Newfoundland is a Province of Canada there is upon you a very distinct duty, a responsibility, to acquaint yourself with some, at least, of the basic facts of the Newfoundland economy and of Newfoundland affairs. I have found across Canada generally a considerable amount of good will toward Newfoundland. I think when Newfoundland became a Province of Canada the average Canadian citizen, in what we in Newfoundland call the "mainland of Canada," felt rather a feeling of satisfaction that Canada had become a bit bigger by the addition of a new province, and that somehow and in some way that wasn't too clear in people's minds Canada had become a bit stronger in the world's sight, a bit more important. So there was, I believe, some exultation on the part of the Canadian public in general over the fact that Newfoundland had decided by democratic, secret ballot to cast her lot with Canada and become a province. I suggest to you, however, that that is far from being enough from Newfoundland's standpoint. I would say that here in this gathering today—and I take it you are not all of the Investment Dealers; possibly not even half or quarter of all the investment dealers of Canada could find it possible to be here—but I would say that you who are here for one reason or another have definite stakes in the Provinces of Canada. You can't float a bond issue for a provincial government, for example; you can't help to organize a company or to help in the financing of a company in a province without coming thereby to have a sort of stake in that province. That puts you in the position where you must defend that province; you have become a sort of partner of that province and that applies to all of the nine provinces. But I wonder how many of you gentlemen here today have the slightest practical interest in the new province. You haven't assisted in the floating of any bonds, government bonds. You haven't assisted in the floating of any Newfoundland bonds, company shares or anything of that nature. I suppose actually, beyond a sentimental regard for Newfoundland, you haven't a great deal of interest in it because as yet you are not partners in Newfoundland's economy. You haven't played any particular part in the building of the Newfoundland economy because you haven't had anything to do with the floating of Nefoundland bonds or the sale of Newfoundland shares.

I have come to this conclusion: That so potent a body as the Investment Dealers of Canada have got somehow to be brought in as partners of the economy of Newfoundland. We have got to have—we in Newfoundland—something more than merely the general goodwill of the average Canadian citizen. We have got to have something more than that in Nefoundland; we have got to link ourselves to the Canadian economy, and the midwife of that, or the marriage broker for that, is exactly the Investment Dealer of Canada. I have been a little flabbergasted, just a little flabbergasted, by some of the completely abysmal ignorance of many Canadian fellow citizens on the "Mainland of Canada" about Newfoundland. It is just appalling. You know more about almost any state you like to mention of the American Union than you do about Newfoundland. I am allowing for exceptions, of course; I am speaking generally. Doubtless there are gentlemen here today that know more about Newfoundland than I might, but I am speaking generally. The things I have heard said by perfectly good and otherwise well informed Canadian citizens about Newfoundland are incredible. The questions I have been asked about Newfoundland are equally incredible because they give clear, unmistakable evidence of the fact that the ignorance—and I use the word in its purely technical meaning, of course — the ignorance of "mainland" Canadians concerning Newfoundland is appalling. Well, I wouldn't like our Newfoundland people to know that the people of Canada as a whole know so little about them and misunderstand them as much as they do.

Newfoundland as a Source of Investment

Now, gentlemen, I don't know if you are aware of the fact that Newfoundland is very, very old. The oldest city of the western hemisphere is St. John's. We have been running down there in St. John's from 1497 continuously, which makes it the oldest settled part of the New World. For one hundred years, for a whole century, Newfoundland was the only part of Britain overseas, Britain's only colony. For the first hundred years Newfoundland was virtually the only part of the New World that was actually well known to the people of Europe, and in coming off into the Hinterland—that is what is now the east coast of Canada — and to the wilderness beyond—that is what is now the eastern seaboard of the United States—mariners set their course for the well known haven of St. John's and from St. John's pushed out into the unknown. St. John's was the great rendezvous where all the mariners of Europe met to exchange news and to pick up their bearings when they wanted to go exploring along the coast of North America. Newcomers such as Halifax, founded in 1749—we look down our noses at places like that. We are very old in Newfoundland, which is a very cardinal point with us. You can't begin to understand us until you get that fixed firmly in your mind—we are extremely old for the New World, that is. Then you go over to England and you go into an old church built 300 years be-

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R. B. McKibbin, *Bank of Canada*, Ottawa; W. J. Borrie, *Pemberton Securities Limited*, Vancouver, B. C.; H. S. Backus, *McLeod, Young, Weir & Company, Ltd.*, Toronto; Jack Kingsmill, *Investment Dealers' Association of Canada*

C. P. Keeley, *McLeod, Young, Weir & Company, Ltd.*, Toronto; A. G. Osburn, *Pemberton Securities Limited*, Vancouver; K. B. Thomson, *Investment Dealers' Association of Canada*, Montreal; W. T. Brown, *Odlum Brown Investments, Ltd.*, Vancouver

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Private Enterprise at Work in Newfoundland

fore Newfoundland was even discovered and you begin to get a sense of perspective, of course, but in the western world Newfoundland is very very old.

Now, second, we are very British. We are more British than the British, more royal than the Queen.

Pre-Confederation Experience

Thirdly, we are very touchy and very cocky and very independent. When I first dared to suggest in Newfoundland that perhaps our destiny was linked with that of Canada and we ought to join Canada, I was dubbed promptly a "Judas Iscariot," "public enemy," "a Quisling," a "traitor," and a "dirty skunk" who was going to sell his country up the St. Lawrence. (Laughter.) That wasn't so funny when I had to go around St. John's with a bodyguard armed with revolvers and clubs who met me in the doorway as I came out of my house, who did'nt dare stand on the other side of the sidewalk where the car was waiting but stood in the doorway and surrounded me as I came out to get into the car and surrounded me in the car. It wasn't so funny then. Nor was it funny when a crowd of 3,000 people came down to my house to tear it down merely because I lived in it, nor so funny when the owner of the house, from whom I rented part of it, found that Lloyds of London wouldn't insure it while I lived in it against riot and civic commotion. It was not so funny as I was broadcasting in favor of Confederation one night over one of the radio stations in St. John's when truckloads of men came up to the radio station properly equipped with a stout rope with which to hang me. St. John's was, of course, the stronghold of anti-Confederation. The businessmen of St. John's poured out a lot of money—I estimate half a million dollars—to pay the cost of the campaign against Confederation because they thought that Confederation meant their absolute ruin. To them union with Canada meant complete disaster. I would say that no part of our population have benefited more from Confederation than those people who feared it most and spent most to defeat it. I would say that the businessmen of Newfoundland today would be virtually unanimous, if they were now casting a secret ballot as to whether we should remain in or leave the Canadian Union, unanimously for remaining in.

Opponents in Minority

In passing may I say that that is true of virtually our whole population. The only people who would will take a stand against this Confederation of Newfoundland and Canada — and then I think only to save face, and I wouldn't answer for what they, even, would do in a secret ballot —but the only people that would still talk about it are those who on Confederation Day, the date on which we became a province, flew black flags at their homes in St. John's, draped their front doors in black crepe, wore black ties and black armbands. Probably only they—the diehards, the extremists (how lovely it is, what a fine, comfortable feeling it is to be able to point to somebody else and call them extremists)—only they I think would pay at least lip service to the cause of anti-Confederation. But so far as the overwhelming majority of our people are concerned, they are

Reg Howard, *F. J. Brennan & Co., Ltd.*, Charlottetown, P. E. I.; Ken Barbour, *F. J. Brennan & Co., Ltd.*, St. John, N. B.; George Stewart, *Royal Securities Corporation, Ltd.*, Toronto; Ham Thorburn, *Mills, Spence & Co., Ltd.*, Toronto

E. R. Pope, *Ross, Knowles & Co.*, Toronto; E. M. Bagnall, *F. J. Brennan & Co., Ltd.*, St. John, N. B.; Frank Rose, *Dow, Jones & Co.*, New York City; (standing in rear): D. G. McCartney, *Eastern Securities Co., Ltd.*, St. John, N. B.; R. P. Fairclough, *R. A. Daly & Co., Limited*, Toronto

quite happy, quite pleased. In a sense they look like the cat that swallowed the canary, and I don't know but that that is a good analogy because in Newfoundland Confederation doesn't mean exactly what you gentlemen probably think it means. In Newfoundland it means that Newfoundland has suddenly become enlarged, reaching all the way now, not from St. John's to Port Aux Basques, but to Victoria, and our population has become quite appreciably larger than it was, swelling from 361,000 souls to something of the order of 14,000,000. We have taken over Canada, we are the cat that has swallowed the canary.

There is very considerable satisfaction in Newfoundland amongst our people that we are indeed a Province of Canada. And now another fact I would like you to know is this: that although we are the oldest, we are the most backward Province of Canada—not in intelligence, I hope, not in character, not in sobriety, not in the habit of hard work. I think in these we probably lead this whole continent; nowhere in North America will you find people more frugal, more saving, more anxious to work, because the average Newfoundlander's greatest ambition in life—so far at least as material things are concerned, and I make that distinction because our people are also a very religious-minded people, very devout—in material matters their greatest ambition is to get a job and, having got one, their second greatest ambition is to get overtime, to work at night as well as day.

Public Services Inadequate

No, when I say "backward" I refer, of course, only to our economy and I refer to our public services; and the public services of any part of the world, I suppose, are a reflection of its economy and the yardstick of its public services usually is its economy. Because our economy is so very, very backward, so very much underdeveloped, it follows, I think quite logically, that our public services are also highly underdeveloped. I will give you an example of that. Newfoundland is 42,000 square miles, not counting our vast dependency — is there anyone here from Quebec?—our vast dependency of Labrador of 110,000 square miles. Newfoundland has 42,000 square miles with a population of 361,000 people, compared with little Prince Edward Island — little only physically, geographically, I may say, in case there is anyone here from Prince Edward Island—with 2,000 square miles against 42,000 and 96,000 souls against 361,000. Prince Edward Island has several thousand miles more of motorable roads than Newfoundland has. On any country road (motorable or not), hospitals, schools and all the ordinary and conventional things that go to make up public services Newfoundland is from 25 to 50 years behind the three Maritime Provinces. To move from Newfoundland into Nova Scotia for a motor tour, or to Prince Edward Island or New Brunswick for a motor ride, is to seem to pass from primitive, visibly undeveloped and underdeveloped areas into a virtual paradise of development and public services. Yet to move from Quebec or Ontario into the Maritime Provinces is to do exactly the same thing in reverse. Newfoundland is as far behind the Maritime Provinces in its public services as the Maritime Provinces are behind the provinces of upper and western Canada. That of course is a very accurate reflection of the state of our economy down through the years, down through the centuries. That is another fact I would like you to get fixed firmly in your minds:

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C. N. Bradshaw, *W. C. Harris & Co., Limited*, Toronto; J. C. Morrow, *G. E. Leslie & Co.*, Halifax, N. S.; E. A. Rogerson, *Mills, Spence & Co., Limited*, Montreal; Doug Colvey, *Canadian Dow, Jones, Ltd.*, Montreal; Benson L. Coyne, *Deacon Findley Coyne, Ltd.*, Toronto

G. E. Francis, *Royal Securities Corporation, Limited*, St. Stevens, N. B.; A. S. Gordon, *Royal Securities Corporation, Limited*, Montreal; W. R. Moore, *Stanbury & Company, Ltd.*, Halifax; F. L. Gilbert, *Stanbury & Company Ltd.*, Dartmouth, N. S.

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Newfoundland's economy is very backward. Newfoundland is very, very undeveloped and underdeveloped.

Newfoundland's Early History

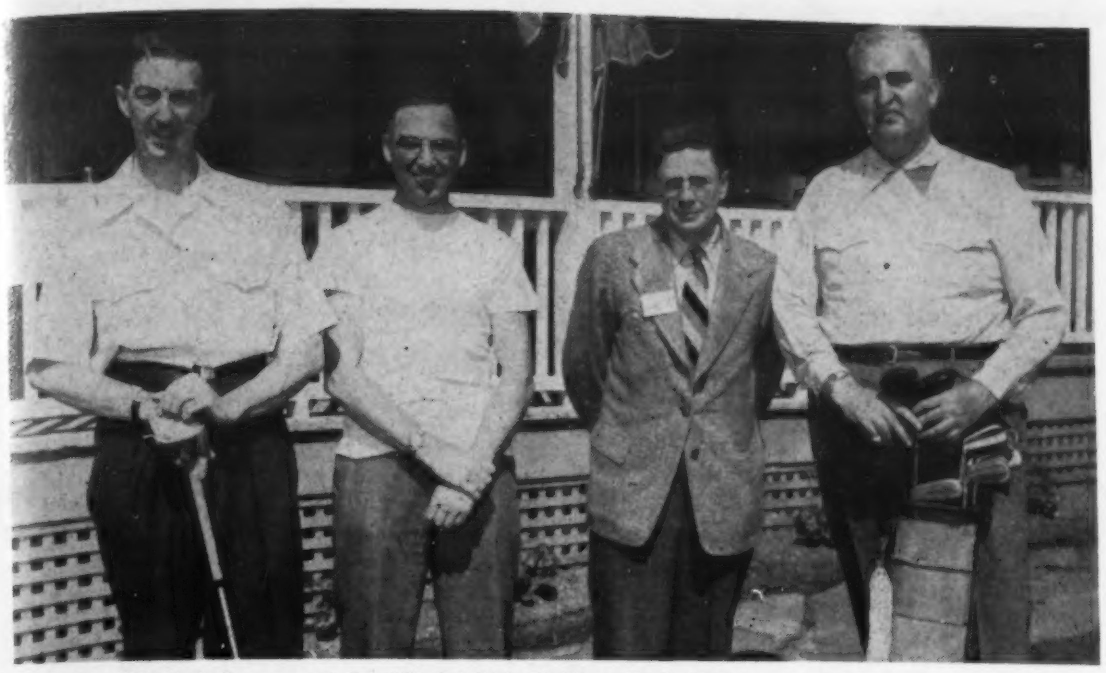
Now there are historic reasons for that. If you were in the City of St. John's I could take you now to a building on Water Street which has chimneys in it built of brick. Most chimneys in Newfoundland are built of brick and you might wonder what was exceptional about it for a particular building. It is this fact, that it is the last building in Newfoundland of which I know that had wooden chimneys built of board; but the chimneys in that building were quite extraordinary; they didn't come straight out from the roof towards the sky — they led out through the back of the building and went north and then went south and then went east and then went west and then went north again; twisted, zigzagged to try to carry the smoke so far away and disperse it and diffuse it so that the fact that there was a chimney in the building would not be noticed, because it was illegal, it was contrary to the laws of England, to have a chimney in a building in Newfoundland. And that law was repealed only many years after Nova Scotia, which only began the day before yesterday in our eyes, had got self-government, had got a university, had got a second university; many years after New Brunswick and Prince Edward Island were well developed and well ahead in the march, because the laws of England forbade settlement in Newfoundland. Actually, you weren't allowed to live in Newfoundland; it was illegal prior to 1811 and the first road building on that island was in 1825. The first school that was legal and lawful in Newfoundland was only around the turn of the 19th century. You couldn't enclose a piece of land, you couldn't fence it; fences were illegal. Inhabitants of the island were not allowed by law to use the fore-shore on the coast until first the fishing vessels from the West of England had come, made their selections for the season; and then any fore-shore left could be used by the inhabitants who weren't there legally in any case and upon whom England, at best, turned the blind eye. It was a deliberate imperial policy of preventing the settlement of Newfoundland because Newfoundland, unlike the other parts of the Commonwealth and the Empire, was not a colony at all, it was a fishery. It was not even a plantation, it was just a fishery. As one man said, testifying before the House of Commons at Westminster, "Newfoundland is a great rock, a great ship moored in the midst of codfish on the Atlantic Ocean, a place to which our fishermen may go in the early summer to fish, returning with their fish to England and all their equipment in the early fall of the year." It was the great nursery, they said, of the British Navy. By preventing settlement, by requiring that fishermen leaving England—if they went to Newfoundland at all—must return to England in the same year, they were building seamen for the British Navy—Newfoundland was viewed as the nursery of the British Navy.

There were historic reasons, many of them, to account for the backward state of Newfoundland; but reasons apart, I just want you to remember, when you remember that Newfoundland is the oldest part of the British Empire and of the New World, that the people there are touchy, and proud and arrogant, very proud of their remarkable history. When you remember that, remember also that our economy has been extremely backward for reasons upon which I have merely touched and that as a result of the backward state of our economy you have the present rather appalling backward state of our public services.

Newfoundlanders Demand Progress

Now what has all that to do with today's meeting? It has this to do with it—that we are now a Province of Canada. Newfoundlanders feel, rightly or wrongly, that they must share in the greatness of Canada, in Canada's destiny. They are not happy — rather they are not content; they are quite happy — they are not content, not satisfied to share in Canada's world-famed social security measures, family allowances, old age pensions and the like. I never heard yet of people who refused to accept them in any Province of Canada, not only Newfoundland. They are pleased to have these, but that is not the measure of their ambition. That was not—contrary to what some people had said — it was not for the sake of family allowances and the other social security benefits from Ottawa that the people of Newfoundland voted to become a Province of Canada. It was rather that Newfoundland would share in Canada's greatness and Canada's destiny and that Newfoundland would break the shackles that had bound her for centuries, that a new freedom would come upon us.

Now, it is not enough, I suggest, for the mainland of Canada to know that in Halifax and in North



Frank Guptill, *F. J. Brennan & Co. (N. S.) Ltd.*, Halifax; B. C. Hollebone, *F. J. Brennan & Co. (N. S.) Ltd.*, Halifax; C. Armstrong, *Gairdner and Company, Ltd.*, Toronto; Robert Ouimet, *Dawson, Hannaford Limited*, Montreal

J. A. MacMurray, *Eastern Securities Co., Ltd.*, St. John; R. Edward Aikman, *Jones, Heward & Co.*, Montreal; J. D. Faulkner, *Wood, Gundy & Company, Ltd.*, Montreal; W. T. K. Collier, *Collier, Norris & Quinlan*, Montreal

Sydney the ports are blocked with ships and trains, trains carrying merchandise down to Newfoundland, that the Canadian National Railroad running across the Island of Newfoundland is virtually demoralized. I exaggerate a little here at this point but not too much—it is virtually creaking and groaning under the weight of Canadian mainland merchandise pouring into Newfoundland. Don't overlook the fact that before confederation we did our trade with the world; we bought from the United States when it pleased us, from England when it pleased us, from Canada, from any part of the world, and it did please us to buy from half the countries of the world. We had our own tariff, don't forget, and we exported where we could. Today, however, we import virtually only from within the boundaries of Canada as a whole, with the result that quite a fabulous increase has taken place in the quantity of Canadian made goods pouring into Newfoundland, so that on the Cabot Strait it is not enough now to have one boat plying between North Sydney and Port Aux Basques. Two are not enough, three are not enough, four, five and six are not enough. Go to North Sydney and ask them what has happened to the trade passing through, go to Halifax, go to the shipping people. It is fabulous but I say that it is not enough that Newfoundland should be merely a customer, another customer for mainland Canadian manufacturers, and I tell you why it is not enough.

All of Canada Must Be Developed

There is a certain logic which says this: That the smart thing to do is to move all the people from Newfoundland, Prince Edward Island, Nova Scotia and New Brunswick, move them all away from there, from these Atlantic Provinces, this Eastern Coast of Canada, move them into Quebec and Ontario and British Columbia. There is a certain logic which would suggest that. I am not blind to that logic. Sometimes I ask myself if it isn't more than just logic. But do you suppose that you will build a great Canada that way? Suppose you had only three Provinces; suppose you have got to have Saskatchewan because that is where the wheat comes from and you have got to have Alberta because of the oil, but you might adopt the view, the rather logical view, that Canada should consist only of Ontario, Quebec and British Columbia, with the Atlantic Provinces reserved as a sort of game preserve and a place where tourists poke around. Alberta for the oil and Saskatchewan for the wheat but a sort of a hinterland frontier with the real Canada being Quebec, Ontario and British Columbia.

Now there is a certain logic in that but I don't know that a great Canada can be built that way. What is the alternative? Surely the alternative for men more worthy of their destiny—and may I say again I think that you gentlemen, whether or not you measure up to it, have a function to perform that is basically greater than than the function of the Parliament of Canada, and that is not flattery. If Canadian industry, Canadian finances and Canadian statesmanship are worthy of their destiny, if they are not just little men with local and parochial patriotism, with limited outlook, if they are really big men, if their concept of Canada is a great concept, they will, on one hand, reject the logic of depopulating, literally depopulating these Eastern Provinces to build two or three big Provinces. Don't forget if they all move to Quebec or Ontario, they would still not be as big as the one State of New York. Let's not forget that in passing. They will reject that logic and realize that Canada will be great only if every last part of Canada capable of development is developed; that the very codfish upon which the first economy of North America was based is not for nothing. When you go into the State Capitol at Boston you see the codfish hanging in the building. Massachusetts was built on cod, and so was all of New England and so was all of Eastern Canada—just cod—and that is the least esoteric of all the fish. There are aristocratic fish compared with the common cod—lobster and salmon and scallops and clams and a host of others. Even the common fish in the water is a god-given wealth and dare we Canadians spurn it? I won't give you a lecture on fish but would like to remind you that Malthus, an accomplished gentleman who lived back a century or so ago, was rather disturbed in mind by the problem of population and the relation of the food supply to the population of the earth. He wrote some books about it. Fish is a great protein food, it is one of the great sources in the world of protein and the world is short of protein. Canada can achieve her destiny, really achieve it, but only by developing all of its resources, including the fishing industry. Oil is good, and I have a particular and selfish reason for saying that because we have John Fox spending this summer $500,000 in Newfoundland drilling for oil. He told me on the telephone yesterday from Montreal, "Joe, I am getting oil in Newfoundland and I am getting it this summer"; so I don't despise oil and uranium and titanium and iron and all the other forms of wealth; but do not despite fish; and even Canada's destiny will not be fully realized if Canada neglects to develop to the limit her vast deposits of fish on the Pacific Coast and on the Atlantic.

And speaking of the Atlantic Coast, stick out your chest, as Canadians, just a little more when I remind you that Canada now has far more of the Coast of North America fronting on the Atlantic than has the United States. If you begin at Cape Chidley—you are still in Newfoundland—and come 1,500 miles in a straight line down the Coast of Labrador and then across the Strait of Belle Isle and down the Coast of Newfoundland to Cape Race and then down to the southern tip of the Canadian Mainland—that is a greater Atlantic Coast than the United States has. That is one thing we have done for Canada, anyway. We have given her a Coast on the Atlantic — she hasn't got one on the Pacific, as you know, or a very small one. And in these oceans — Pacific and Atlantic — if the good cod has given us something that the world needs, good protein food, then Canada, I suggest to you, has not accomplished her destiny until these resources, less flashy, less spectacular, less romantic than titanium and oil and

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J. R. Doorne, *Nesbitt, Thomson & Company, Limited*, Toronto; J. W. Dale, *Canadian Pacific Railway Telegraphs*; Telfer Hanson, *Burns Bros. & Denton, Ltd.*, Toronto; D. W. Currie, *Burns Bros. & Co.*, Toronto; J. R. Petrie, *Jones, Heward & Co.*, Montreal

Doug Armour, *Brawley, Cathers & Company*, Toronto; Hartland Gee, *Canadian Alliance Corporation, Ltd.*, Montreal; J. Duff Wood, *Fry & Company*, Toronto; J. R. Hughes, *Royal Securities Corporation*, Montreal; H. H. Hills, *Royal Securities Corporation*, Halifax

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Private Enterprise at Work in Newfoundland

timber and all the rest of it, are developed.

"Men of Vision"

When we joined Canada there was a great gleam in our hearts that we, too, would begin at once to share in the development that was going on. I will never forget as long as I live on this earth the sights I have seen amongst the Newfoundland fishermen in our ports. I have seen men who were willing to work from dawn to dark—and beyond dark—scarcely able to walk from beri beri. When you see a fine, strapping, fisherman of 40, with four or five children, who in his health could take any man here and fling him 20 feet away, that kind of a man reduced by starvation to a condition of beri beri, where he is able to get along only like this (demonstrating) just like this, creep along, scrape along on the ground and when he has walked 20 paces is out of breath and has got to sit down, all from starvation and hunger — that is something you will never forget. I have lived amongst the fishermen and you don't need to be sentimental about it, emotional about it; it is an ordinary fact, it is one of our facts, one of our Newfoundland facts before Confederation. So when you saw that kind of destitution you could feel a little happy in your heart that some of Canada's famous and ludicrous and ridiculous and absurd but nevertheless hard cash family allowance cheques would begin pouring into those families. But that wasn't the reason why Confederation appealed to me. My principal reason for wanting Newfoundland to become a Province of Canada was that suddenly our population would increase from 361,000 to approximately 14,000,000. Then I said to myself, if we in Newfoundland have the energy and the initiative and the vision and if, somehow or other, we can find the capital—and that is where you gentlemen come in — to develop Newfoundland, at least we will have the market provided that we can do it competitively, in competition with the best and the biggest and the latest on the Mainland of Canada itself.

Natural Resources Studied

Of course that would be possible only if you had something to develop. That was one of the heartbreaking jobs that confronted me when I was asked to take over the Government in Newfoundland. What did we have? Just what did we have in Newfoundland? We knew we had fish. We also knew we had timber. The evidence of that was that we had the world's largest paper mill, Bowaters at Corner Brook; 1,200 tons a day; and at Grand Falls, established by Lord Thornecliffe, we had one of the world's largest paper mills with 750 tons a day. We knew we had timber. We suspected that we had water power. Just preliminary survey showed it to exist there in millions of horsepower. Just in passing, I sent engineers down to one falls — one falls alone — in Labrador, and not the Grand Falls of Labrador, which are 105 feet higher than Niagara and where you can take 5,000,000 horsepower — not that falls, just an obscure one with one million horsepower at a development cost to lay the power down to a site at 1.43 mills, less than one and one-half tenths of a cent. We didn't know we had that. We thought we had horsepower. We thought we had minerals. We thought we had timber—we pretty well knew we had timber but didn't know how much. Extraordinary as it may sound to you gentlemen, no Government in Newfoundland had ever bothered to find out just what we did have. I have unfortunately acquired a reputation for being a politician and I am by no means a politician; I am not a politician, I am a misplaced businessman; I am a misplaced investment dealer. All my interest is in industry; I have no other interest except smoking. It is all industry and smoking and I read a little but that is all.

I still cannot understand how one Government after another in Newfoundland, including the one that was in power 15 years and appointed by his Majesty's Government of the United Kingdom, never even bothered to wonder, let alone to find out, how much timber we did have, what minerals we did have, what water power we had. So when I took over three and one-half years ago with this dream of development in Newfoundland, I had to begin quite literally from scratch. I had to start scratching to find out what we had. It has cost us a lot of money, and we had to begin from the beginning. It cost us, for example, $200,000 that we paid the air photographic surveys of Toronto to go down and make magnetometer surveys. It costs a couple of hundred thousand dollars to the Power Corporation of Canada to go down and make field surveys of just one part of our water power potential. It cost us many hundreds of thousands of dollars more to make other economic surveys. That is a simple basic job of just trying to find out what we have got to sell and blue print it. It is still going on. We must still spend many hundred thousands of dollars to measure what we have got.

Foreign Capital Attracted

I don't need to tell you gentlemen you can't go and raise capital, you can't get people interested until first you bring them at least enough data to convince them that the thing is worth taking a good hard look at. You have to get that much at least and even getting that much, unless we were prepared to wait for 10 or 20 years and do it in the slow and leisurely fashion, if we were to put real drive and pressure behind it, it would cost a lot of money, and it did and it will. The only pity is that it wasn't done 10 or 20 years earlier. This year we are going to get results. In 1951 we had in Newfoundland more mining companies employing more geologists of all kinds and spending more money in a search for minerals than we had ever had in any 25 years put together. That was last year. This year we have twice as many as we had last year and we hope that next year we will have

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L. W. Scott, *Ross, Knowles & Co.*, Toronto; John Graham, *John Graham & Company, Limited*, Ottawa; R. A. Magowan, *Merrill Lynch, Pierce, Fenner & Beane*, New York City; R. N. Trudeau, *Savard, Hodgson & Co., Inc.*, Montreal

twice as many as we had this year. That is because—but that is too long a story to tell—it is because we did these surveys. We got enough data reduced to map form to stir up some very genuine interest. You don't get Falconbridge Nickel and Frobisher, you don't get American Metals, you don't get Reynolds Metals, you don't get American Lead Zinc and Smelting, you don't get Freeport Sulphur, you don't get Anaconda Copper, you don't get American Lead, you don't get Selection Trust, which is perhaps one of the biggest of all the British mining concerns—you don't get concerns like that to move into Newfoundland and perhaps to spend many hundreds of thousands of dollars merely because they like Newfoundland or merely because some slick salesman has sold them the idea of going there. You have to have something basic to begin with. We have that.

Natural Resources Previously Ignored

Now it has cost us hundreds of thousands of dollars, as I described, to get that kind of basic information. It will cost hundreds of thousands of dollars more to enrich that basic information; and, as it is enriched, we can go to other companies and say, "Don't you think this is worth your taking a look at?" Now, besides being up against that terrible obstacle of not knowing what we had, we were up against another obstacle of a perfectly mad character, and it was this: (it is old stuff to other Canadian provinces; they have gone through it often in the past): In Newfoundland the government always got its revenue the easiest way—ad valorem custom tariff—that was all. Well, in later years we did put on an income tax, but most of the time just an ad valorem custom tax was what they used for revenue. It is easibly handled. Timber, minerals, water power were just trash; they had no value in the eyes of our government in Newfoundland in the past, so they gave it away to anyone who wanted it. If you had enough energy to ask for it, the government gave it to you. When you take a map of Newfoundland, just a geological map of Newfoundland showing who has what, you are astonished to begin to discover the government has nothing; they have given it away. We in some cases began to find out who really did own it. We found that about 1860, before confederation, around 1860 the government of that day had given away a water power, which we now know will develop about a quarter of a million horsepower, for one peppercorn. So when I came into office I said, "Find that peppercorn." The peppercorn was gone, the water power is gone, and we are left with nothing. That is rather a dramatic example, but in most cases they didn't even get a peppercorn. All gone. Now we go out and spend good, hard cash, public money, to survey these areas and, having surveyed them, what can we do about them? Some private owner owns them; where is he? God in Heaven knows; we can't find him. There is a grandson of the old fellow who got it in the first place. Where is the grandson? We search titles; also we search records in England; we hire lawyers to try to trace the owners; we can't find them. In some cases we did and in some cases the owners are residents of Newfoundland; but whether you can find them or not, they are somewhere presumably and they have done nothing. They haven't spent a dollar; they haven't prospected; they haven't surveyed; they have done exactly nothing. What should we do in a case like that? Here between us, just man to man, if you were in my job would you be strongly tempted to say, "To the devil with that stuff; let's take it all back!"? That would be a human reaction; that would be the first reaction of any one of you gentlemen confronted by that piece of one thousand square miles of area given to a man in 1860 and he is dead for 40 years and his grandson is still there but has never done a single thing about it. You would say, "In God's name, let's take it back to the Crown and see if the Crown can get somebody to develop it." That would be your first reaction; that was mine; it is very human.

Present Government Policy

I said, "No, you can't do that kind of thing, on the one hand, and on the other go and expect people of substance to come down and take an interest in your resources. You can't break your word." That is A-B-C, that is elementary; nevertheless it was a

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Beaufort S. Lewis, *Craig, Ballantyne & Co.*, Montreal; J. Parkinson Cundill, *Craig, Ballantyne & Co.*, Montreal; P. D. McDougall, *McDougall & Cowans*, Montreal; L. F. W. Ogilvie, *Morgan, Kempf & Robertson, Ltd.*, Montreal

Arthur Woodcock, *Charles H. Burgess & Company*, Toronto; M. F. Newman, *Cochran, Murray & Co., Ltd.*, Toronto; J. E. C. Winslow, *Winslow & Winslow, Ltd.*, Woodstock, N. B.; J. D. Porter, *A. E. Ames & Co., Ltd.*, Montreal

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Private Enterprise at Work in Newfoundland

powerful human reaction. So what we have done is this: we have passed a piece of legislation last session, four weeks ago. We passed it, got the royal assent. The Minister of Mines—don't forget we have been spending money surveying these privately held areas, completely undeveloped—the Minister of Mines now can certify a given area as an area on which, in the 10 years preceding, no development has taken place, no exploration, no prospecting, nothing; and when he certifies that to the Governor-in-Council, the Governor-in-Council may — he hasn't got to—he may certify it as an undeveloped area. Now, once it is an undeveloped area under the Act, the Government of Newfoundland—and only the government—has the right to give prospecting permits and development licenses; but anything that comes to the government as a result of any such development, the government must pass over as to one-third of it to the original owner. Now, some would argue that he shouldn't get any; we don't argue that way; we say he should get some. He hasn't done a thing about it, but we do all the expending; we expend all the effort as well. We get a Canadian or American or British company to come in and develop that area, and although he has done nothing we will give him a third of the proceeds that come in. So the problems pile up one after the other.

Government Debt Negligible

All I want to say to you, gentlemen, is this: Naturally, inevitably, sensibly, we must come to the mainland of Canada for capital for development. It is not the policy of our government to borrow. I don't know how long we can keep that up, but we haven't borrowed in Newfoundland since 1931 or 1932. Isn't that scandalous? So we are completely unknown to the money market, completely unknown; and I am afraid what little is known about us is wrong, or at any rate not very complimentary. Now, the government has no intention of borrowing to the last moment. Our policy—and we are rather proud of it—is to eschew public borrowing. Newfoundland is the only province without a public debt, almost literally—it has $3¾ million net funded debt. That is almost literally none. I bet you find the City of Saint John has much more than that. Any sizable city of 50,000 or 60,000 people in Canada has more than that. We have some indirect obligations: Bowaters' great mill was built with a $10 million bond issue guaranteed as to principal and interest by the United Kingdom Government and another $10 million guaranteed by the Newfoundland Government; that was our share; it is down to about $3 million. That is an indirect obligation; make the most of it. I don't think there is anything much to worry about; we have an indirect debt to Bowaters; we have guaranteed their bonds to that amount. I don't think it is likely we will ever be called upon to pay.

What we propose to do as long as it is humanly possible to do it, and that would be several years, I think, is to finance our improvements in public services, roads, hospitals, schools and the like out of current surplus. That is to say, each year we propose to collect more in ordinary account taxation than we spend. Year before last we had a surplus of $600,000; at last year's ending, March 31 past, we had a surplus of $1.3 million dollars; this year that we began on April 1, we budgeted for a surplus of $6.3 million; we will go over that. It means rather heavy taxation. I think perhaps we are the only province of Canada that has put a sales tax on food. The only food in Newfoundland exempt from the 3% tax is baby food and one or two items like that; also flour and barrelled beef and barrelled pork. Rather heroic, rather drastic, but our policy is not to borrow as a government if we can possibly avoid it. We have had rather a scalding in that respect back in 1931 or 1932; so did other provinces in Canada, but they were provinces of Canada and we were on our own. We got a bad scalding and it has burned into our consciousness. This may sound like treachery and traitorous talk to bond dealers, but we have a horror in Newfoundland of public borrowing, and so we propose to finance our capital account expenditures for public services and public works out of a current account surplus as long as that can be done.

Newfoundland Labrador Corp.

Now, for development, we have set up a rather unique organization known as the Newfoundland Labrador Corporation Limited; and the Newfoundland Labrador Corporation is a quite peculiar, quite distinct, quite different sort of body. It is a Crown corporation consisting of a partnership of the Government of Newfoundland and certain private interests, the private interests being primarily the firms of Harriman Ripley & Co. of New York, and Wood, Gundy & Co. of Canada. They have between them—they and one or two others—10% of the stock of the corporation and the government has 90%; that makes it a Crown corporation, to be frank about it, in certain ways that you won't find difficult to think of. To that corporation the government has ceded about 23,000 square miles of area, about the size of Nova Scotia, incidentally, and all the natural resources, minerals, timber, water power in that area, and they have been given by the Government a mandate to develop that area and, furthermore, to take over from us all our commitments and obligations in certain business enterprises into which Newfoundland entered in the past three years. For example, we built a cement mill, rather unusual thing for a government in Canada to do, but we couldn't find anyone else to build a cement mill, so we built it. We built a gypsum plasterboard-plaster lath mill and we built, thirdly and finally, a birch veneer and plywood factory. These projects cost about $9 million and are just getting into production. The cement plant began shipping cement last week; the plasterboard mill began shipping plasterboard the week before last; the plywood plant began shipping plywood and flooring several weeks ago. We want to get rid of them. Naturally, we had perfectly good reasons for building them. At least we attracted attention to ourselves; at least we advertised Newfoundland; it might not have been the best advertisement by government when a government begins building factories, but I think we knew what we were doing; it was a calculated risk and a calculated gamble. It has paid handsomely in the very direction we had in mind. Now we want private enterprise to take them over and the corporation is handling that. We want the corporation to handle all business matters for the government—I don't know but I should get out of government and join the corporation because that is where my heart is. We have the biggest businessmen in Newfoundland who have become directors. I would say the three biggest businessmen in Newfoundland have

Jack Young, *Dominion Securities Corpn., Ltd.*, Toronto; G. E. Phipps, *Dominion Securities Corpn., Ltd.*, Toronto; Douglas C. Newton, *Dominion Securities Corpn., Ltd.*, Ottawa

Alan Chippindale, *Calvin Bullock, Ltd.*, Montreal; Jack Barker, *Thomas B. Read & Company*, Vancouver; Gerry Swindell, *Wood, Gundy & Company, Ltd.*, Winnipeg

agreed to become directors of the corporation — the Vice-President and General Manager of Bowaters, Mr. Lewin; Eric Bowring, the head of Bowring Bros., and Mr. Pippie, the head of Newfoundland Tractor and 20 other concerns. These three are from Newfoundland, and the outside directors are Sir William Stephenson, of New York, and George M. Macintosh of Harriman Ripley & Co., Inc., New York; Colonel Griffin of Wood, Gundy & Co., and Claude S. Richardson of McMichael, Common, Howard, Ker & Cate, of Montreal, and Lyttleton Gould, of New York. The Attorney General and I are on the board representing the government. We leave the business affairs of the corporation to the businessmen who form the board. We have set up that corporation to be a sort of other government, a second government of Newfoundland to handle all economic matters, financial matters, business matters for the purpose of taking the government out of business altogether.

Private Enterprise Takes Over

Now, gentlemen, may I make a rather shrewd observation to you. The people who have condemned us for building these three factories, for having done a little unorthodox sort of thing, might remember this. There wouldn't have been any need for setting up the corporation if the government hadn't built these three plants. In short, there wouldn't be a corporation if we hadn't built the three plants, and we wouldn't have certain outstanding businessmen today forming the directorate of that corporation if we hadn't built them. So we knew what we were doing. Having accomplished the corporation to take over Newfoundland development, the government now is quite happy to bow out and confine its attention to the passing of laws, the collection of revenue and the spending of it, and the ordinary routine day-to-day affairs that you expect from any government.

Now, gentlemen, I could go on and on, because I think that Newfoundland is the finest of all the provinces and, thinking back, I like to talk about it. And meeting the precise group in Canada that we need now most of all in Newfoundland—the Investment Dealers—one is powerfully tempted to go on and on and on explaining Newfoundland and telling about it. I have given you the background, but I hope at least that I have said enough to make you feel that whatever you may have heard about us, that Newfoundland deserves some of your attention; that you bring yourselves up-to-date; that you get to know what the situation is as of today and not three months ago—that you bring yourselves up-to-date. I lay great emphasis on that—your bringing yourself thoroughly up-to-date if you are going to take any interest in Newfoundland. Base your thoughts, base your conclusions not upon a situation that existed three months ago or six months ago, but upon what the position is today, because there has been a great cut-off. The first three and a half years of our life is a period of daring, venturesome, unconventional, unorthodox activity on the part of the government. That has been cut off. It couldn't be cut off until first something was set up to take its place. That something has been set up, namely, the Newfoundland Labrador Corporation. Once that was set up, the government was able to step out and it has accomplished its great purpose of holding our people together, and you know the danger was that in the last three years 150,000 of our population would have moved out of Newfoundland into upper Canada. That was the danger. We have held them; we have held them together by a rather risky, venturesome and highly unorthodox program of having the government itself engage in the launching of industries. That was highly hazardous, but it has accomplished the purpose in mind, which was to hold our people. There is no use talking about developing a province if it loses its population. We have held them; we have done that; that is in the past. Now an entirely new approach, new for us, for this government, but old and conventional and orthodox. That is to say, we have passed over to private enterprise the business of developing Newfoundland. We have given the start to it; we have started the ball rolling, so if you think of Newfoundland, gentlemen, please do not think of us as that queer and unorthodox province with the energetic but highly unconventional government that thinks it can take the place of private enterprise. Don't think of us in those terms any more. If you do, you are out of date. I think you owe it to Newfoundland, if you pay any attention whatsoever to it, at least to bring yourself up to date.

Now, I want to thank you for your great courtesy and patience in hearing me today. I hope that it not next year, soon you will hold your convention in St. John's and let us give you a taste of our Newfoundland hospitality. Come down a year or two or three from now, and I hope that by then you will come—some of you—as partners and not as curiosity seekers, not as just observers but as men who have taken a part in the building of our Newfoundland economy, taken a part in really integrating the new province into the finances and the economy of Canada as a whole.

J. D. Winslow, *Winslow & Winslow, Ltd.*, Woodstock, N. B.; Hector Vidricaire, *James Richardson & Sons*, Montreal; Gerard Gingras, *Rene T. Leclerc, Inc.*, Montreal

Hal Murphy, *Commercial & Financial Chronicle*, New York City; Edward E. Glasgow, *Peter D. Curry & Co., Ltd.*, Winnipeg; George N. Thomas, *Harrison & Company Western, Ltd.*, Winnipeg

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Canadians Can Profitably Export Capital

other countries. I refer, of course, to the products of the forests, the farms, the fisheries and the mines. Such of these products as are not domestically consumed are exported and they form a very real basis for our economic health. The industries engaged in the production of these important items form the basis of a great and steadily increasing manufacturing industry engaged in production for the domestic as well as for the export market.

Export Trade Essential

In order to have a healthy economy, Canada must have a healthy and prosperous export trade. This basic fact is abundantly clear when I remind you that in 1951 Canada's exports of goods and services were 24% of her Gross National Product—that is to say, 24% of the total of all the goods and services produced in Canada that year. Consequently, it is evident that a very large percentage of our population is dependent for its livelihood on our export business.

I have stated that Canada has long been recognized as a great exporting country. What is not so often realized is that she is a great **trading** country. We are not **merely** exporters; we are very large importers as well, and must continue to be large importers. Canada is the fourth ranking exporter and importer but she is by far the greatest trading nation in the world where that trade is calculated on a per capita basis. Of course there can be no question that our friendly neighbor, the United States, is now the most important country in international trade in terms of total volume. Nevertheless, it will be readily seen that international trade is not nearly as vital to the American economy as it is to the Canadian when one realizes that for the year 1951, Canada's foreign trade represented $577 per capita whereas that of the United States was somewhat less than one-third that figure or $168 per capita.

In spite of her great export trade Canada has had a deficit in her current trading account in the past two years. In 1950 this amounted to $329 million and in 1951 to $524 million. The influx of foreign capital during these two years, however, more than counterbalanced these deficits.

I have already said that Canada is fortunate in producing great quantities of products, large portions of which she cannot consume domestically and which are in great demand by other countries.

Dependent as they are upon our export trade, what must our businessmen — you men and all other Canadians engaged in the sale of goods and services — do in this troubled world we live in? The first thing, in my judgment, is to accept the fact that it is a troubled world and may be for some time to come. Do not postpone your efforts to seek new markets and to make your goods competitive in price, terms and quality.

You businessmen engaged in international trade carry a heavy and great responsibility. The sceptre of international trade held for so long by the Phoenicians, then by the Romans, by the Venetians and then the Portuguese and for many decades by that great trading nation, the United Kingdom, has now passed to the New World. With its passing, goes hand in hand the responsibility of setting the standards upon which world trade is to be conducted and of keeping open the channels through which this trade must flow. You are apostles of goodwill, you are ambassadors-at-large —in other lands your country is judged by your actions and your words. You are the men responsible throughout the world for the dissemination of cultural, political and economic thoughts and ideas—thoughts and ideas which, on the ceaseless loom of time, have been woven into the very fabric of our civilization. How very important it is, therefore, that you should meet businessmen from other lands at such a Fair [Canadian International Trade Fair] as this, now in progress, in order to establish friendships and connections and to exchange such thoughts and ideas.

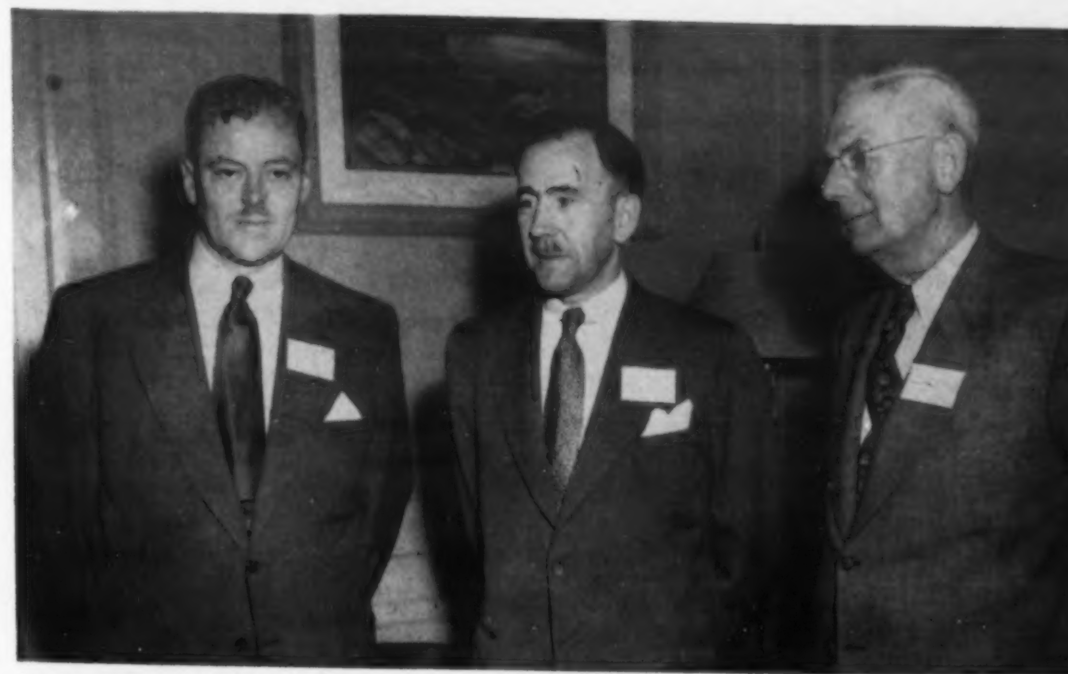
The unrest prevalent throughout the world has necessitated much effort being put into the production of goods and materials of war with the resultant tendency to maintain a large domestic consumer demand. The factors responsible for making this effort compulsory, we all hope and pray, will soon be eliminated but whether they are or not our exporters will need all the ingenuity, the courage, the salesmanship, the resourcefulness, they can muster to compete successfully in the international market with the capable businessmen of the countries represented by so many distinguished visitors here this evening.

History tells us that the development of most countries results —at least in part and often in large part — from the importation of capital as well as capital goods. With certain readily explainable exceptions, history also shows that capital does not enter an area, develop it to a certain point and then depart. When capital is wisely invested, ably managed and fairly treated, it remains and grows with the country of its adoption.

Canada Should Export Capital

Another course I suggest you should seriously consider and embark upon is the direct investment in other countries for development purposes. Indeed, this is your duty to the world if it is true, as I have said, that the sceptre of international trade is now in this hemisphere. Nor do I mean by investment, investment by government. I mean investment by private enterprise. If these investments are carefully made, you materially stimulate trade between your own country

J. C. Edwards, *Matthews & Company*, Toronto; N. H. Gunn, *Bell, Gouinlock & Company, Limited*, Toronto; A. G. Lang, *Burns Bros. & Denton, Ltd.*, Toronto



W. G. Pepall, *Bell, Gouinlock & Co., Ltd.*, Montreal; Ralph M. Jones, *Eastern Securities Co., Ltd.*, Charlottetown, P. E. I.; S. M. Daniel, *Eastern Securities Co., Ltd.*, Halifax, N. S.

and that in which you make the new investment.

A factor that gives point to the possibilities of developing foreign trade through the medium of direct investment abroad is that only six months ago the Canadian Government withdrew the foreign exchange control regulations that had been in effect since 1939. The removal of these restrictions can do more than facilitate the exchange of goods; it presents opportunities that have been lacking for more than a dozen years to increase our trade potential through the export of our capital and our abilities in order to participate in the development of other countries.

Involved in this course is the export of your knowledge and experience, important and valuable adjuncts to the export of physical goods. But whatever is done, one should do one's best to secure steady and continuous markets. These markets can be made steady and continuous only by knowledge and understanding and the steady supply of goods or materials on a basis that is competitive in every way. And I must emphasize once more that I cannot help but feel that institutions such as the International Trade Fair in which you all are participating are important factors in developing that knowledge, understanding and goodwill so necessary to the success and continuity of international business.

* * *

South American Market

I hope you will bear with me and understand that, while I recognize to the full the value and importance to Canadians of many old and established markets, it is only natural if for a moment I turn the spotlight, so to speak, on that colossal market and trading world, the continent of South America. There we have a veritable giant, rapidly developing industrially and striving to interest other countries — some of them more fully developed in a material, but not necessarily, let it be remembered, in a cultural sense— in investing capital and joining with them in their march to greater economic development and a higher standard of living. On their part, these countries must prepare a proper climate for such investment by making available the necessary raw materials and by ensuring reasonable labor and financial legislation so that foreign capital and knowledge and experience may justifiably take the business risks inevitably involved in any new venture.

To take the steps to which I refer means that courage and a certain spirit of adventure must go hand in hand with capital and "know how." I believe that we in Canada have that courage and that we of this generation do not lack the adventurous spirit, which others before us have put to good effect.

Perhaps the point which I am endeavoring to make may best be expressed in the lines of Kipling:

"Something hidden. Go and find it. Go and look behind the Ranges—
"Something lost behind the Ranges. Lost and waiting for you. Go!"

Allow me to give you one example of what happens under such circumstances. Fifty years ago a small group of Canadians invested their own resources in a public utility in Brazil. Since that time this investment has grown to almost $750 million, and the facilities that it supports are now supplying that country with a large proportion of its electric power, gas and telephone services . . . services, I am sure you will agree, that are of some considerable value to its citizens. But what, you may ask, has all this done for Canada? Just this: in the past five years Canadian supplies of goods and materials have received business in respect of capital goods to the extent of approximately $50,000,000 and during the same period suppliers in other countries outside Brazil have received like business in an approximately equivalent amount. Canada has received over the years millions of dollars in the servicing of this investment while millions have gone to other countries which share in it. From the Brazilian point of view, the Canadian point of view and the world point of view, this has indeed been a sound investment. There is not the slightest doubt that this investment has stimulated the interchange of goods between Brazil and Canada and developed interest and knowledge in Brazil of Canada and in Canada of Brazil. These two great and friendly na-

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H. A. Benham, *Royal Securities Corporation, Ltd.*, Winnipeg; G. L. Somerville, *Carlile & McCarthy*, Calgary

D. B. Armstrong, *Nesbitt, Thomson & Company, Limited*, St. John; W. J. Borrie, *Pemberton Securities Limited*, Vancouver, B. C.

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Canadians Can Profitably Export Capital

tions, daughters respectively of England and Portugal, allies and traders of long standing in the Old World, are thus learning from one another that more trade, both export and import, may be sought and found in each.

Opportunities Abound for Overseas Investments

While I am conscious of the fact that most countries of the world have already passed the stage where initial investment of foreign capital for development of public utilities is required, nevertheless, I am certain that there are many opportunities of equal promise for the increase of trade by the direct investment of capital by private enterprise **now being overlooked,** not merely by Canadians but throughout the world.

Undoubtedly it is well within the memory of the vast majority of us here this evening—although with the kaleidoscopic nature of the momentous changes in the world of the last two decades our memories are inclined to become dim — when the currencies of the various countries of the world were freely convertible in the several international money markets.

We all realize full well the apparent necessity which exists in many countries for the imposition of import controls, exchange restrictions, and all the various devices currently being resorted to for the purpose of maintaining a trade balance. In many instances these controls tend to a temporary (at least) lowering of the standard of living and to bilateral trade agreements, and barter transactions become a permanent feature of our economic and political order. To the extent to which they do, they tend to stifle the free course of international trade and in the end to strangle it.

Sterling Convertibility Studied

In this connection, it is with the greatest interest and hope that businessmen throughout the world learned, following the Commonwealth Finance Ministers' Conference last January, that the United Kingdom was setting up two working parties — one to prospect the difficulties lying along the road to sterling convertibility and the other to study the opportunities for a more coordinated approach to investment and development programs within the sterling area itself. Let us all pray that the labors of these working parties may not be in vain and that the day may soon dawn when sterling will once again be freely convertible and trade between the two great trading areas of the world, the sterling area and the dollar area, may flow once again with freedom based on private enterprise.

Of great significance, too, is the relatively recent conclusion of the peace treaty with Japan and last week with Western Germany. To businessmen these are highly important developments and open up once again great areas for trade.

It is heartening that Canada has been able to abolish foreign exchange restrictions. The pulse of world trade will quicken as the world tears down the prefabricated national barriers that have been erected, for we have only to scan briefly the history of commerce to know that, when currencies are freely convertible, trade flows more freely between the nations of the world.

Increased international trade should bring about increased understanding among the peoples of the world, and in this understanding there surely lies our best hope for peace.

D. B. Creighton, *Nesbitt, Thomson & Company, Limited*, Montreal; W. V. Heayberd, *Nesbitt, Thomson & Company, Limited*, Montreal; A. J. O'Donahoe, *A. F. Francis & Company, Limited*, Toronto; G. F. Nightingale, *Ames & Co., Limited*, Toronto; J. I. Crookston, *Nesbitt, Thomson & Company, Limited*, Toronto; R. A. Magowan, *Merrill Lynch, Pierce, Fenner & Beane*, New York City

C. T. Graham, *Waterloo Bond Corporation, Ltd.*, Kitchener, Ont.; N. L. MacNames, *N. L. MacNames & Company, Limited*, Toronto; G. Peter MacNames, *N. L. MacNames & Company, Limited*, Toronto; H. L. Gassard, *Investment Dealers Association of Canada*, Toronto; Eric D. B. Kippen, *Kippen & Company, Inc.*, Montreal

Continued from page 5

Canada and International Trade

some degree of validity. The difficulties to which they point have contributed, along with many other things, to a constant state of inflationary pressure in most countries in the world—pressure which has usually been relatively stronger in the non-dollar countries than it has been in the dollar area. There has been a constant attempt to do more than the resources of most countries would permit, even with such assistance as may have been received from outside sources. This situation is not surprising. There are growing populations to support, there is a keen desire for improvemnet of standards of living and many forms of social security, and in some cases more leisure time. North America has no monopoly on these needs and desires. We are simply more fortunate in our ability to fulfil them up to a point.

The countries which find themselves in this situation, whose desire outruns ability to pay, inevitably tend to use up their foreign exchange reserves. When there is strong pressure on a country's economic resources—which is one way of describing an inflationary situation—some of the pressure tends to spill across its borders, taking the form of an import surplus. If adequate foreign exchange financing to pay for this import surplus is not available from one source or another, the country soon finds itself in balance of payments difficulties. As we have seen time and again since the end of the war, the first reaction of countries in this position is to impose or increase restrictions on imports. If they have cash or credit in some currencies but not in others, the restrictions are likely to be discriminatory in character. In dealing with their payments problem by means of such restrictions, they are of course attacking the symptoms rather than the cause of the trouble, but it is often felt that getting to the root of the matter by anti-inflationary measures would set up intolerable political strains.

Now I did not come here today to inflict a philosophical discussion on you, so I will get to the main point which I wish to make, namely that import restrictions, for whatever reason they are imposed or retained, are contributing to a most serious weakening of the economic structure of the free world. Wherever they exist, you may be sure that labor and capital are being diverted to uneconomic uses, and this at a time when the need has never been greater for the most efficient use of capital and labor to build up the world's production of foodstuffs and primary materials as well as to improve the efficiency of manufacturing enterprises in countries best suited to their development.

The distorting and weakening effects on basic economic structures of the developments I have been referring to are strikingly illustrated in the way in which the world's production of foodstuffs and raw materials has been lagging behind industrial production. These comparisons are usually made with figures for the immediate prewar period, and this is as good a basis as any other, provided one remembers the great increase in the world's population that has taken place during the last 13 years. I am not going to cite global figures because they tend to be misleading, but let me remind you that the population of the United States and Canada has increased by nearly 20% since 1938 and the population of the United Kingdom and Europe, west of the Iron Curtain, has increased nearly 10%.

World Production of Primary Products

In summarizing briefly the situation regarding world production of primary products, I think I can do no better than quote from an address made not long ago by John H. Williams, Professor of Political Economy at Harvard Uni-

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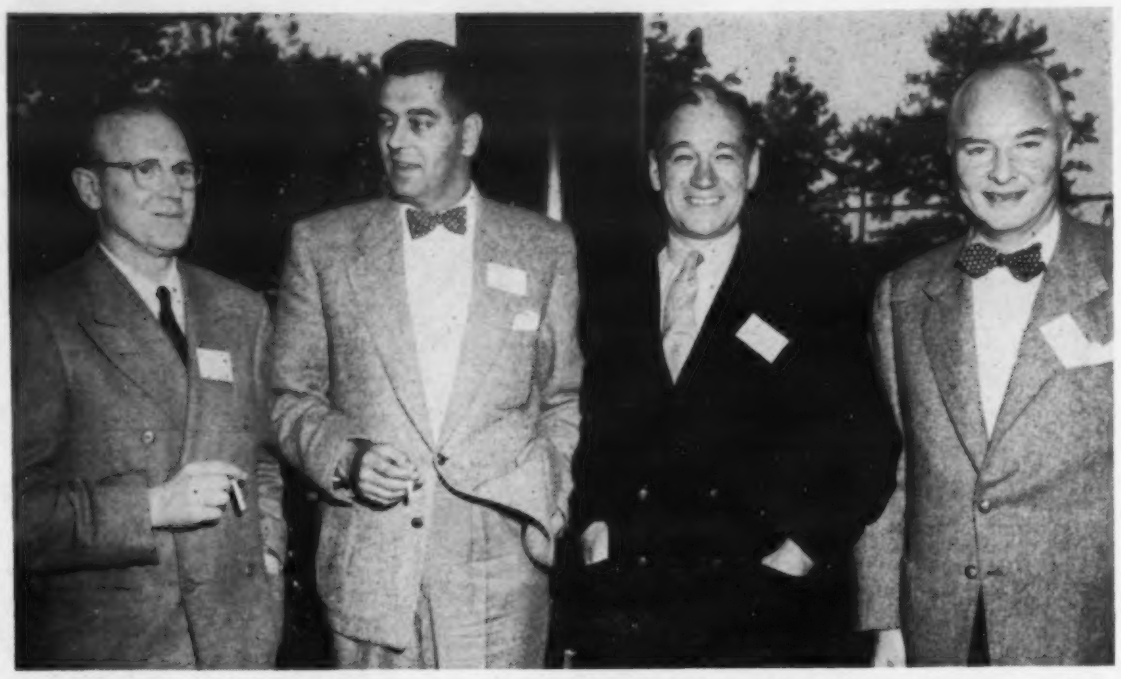
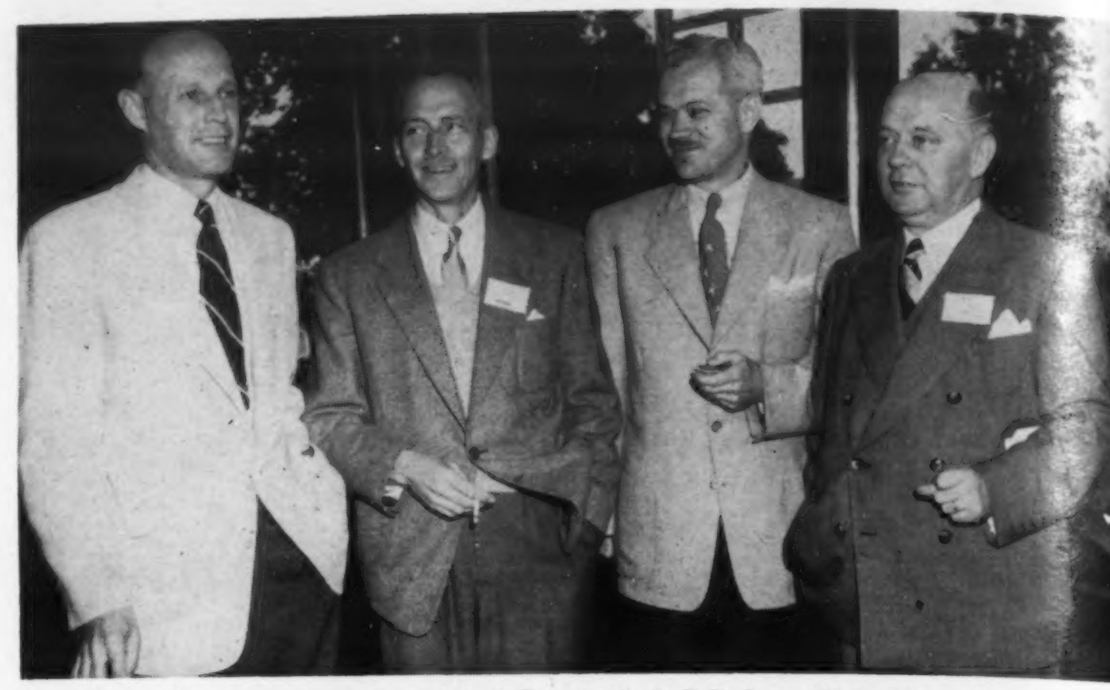


A. D. Hunt, *W. C. Pitfield & Company, Ltd.*, Montreal; Walter Pavey, *W. C. Pitfield & Company, Ltd.*, Montreal; Peter Kilburn, *Greenshields & Co., Inc.*, Montreal; D. A. Skelly, *A. M. Kidder & Co., Montreal*



H. J. Knight, *Walwyn, Fisher & Co., Limited*, Toronto; L. L. Bell, *James Richardson & Sons*, Toronto; L. W. Virtue, *James Richardson & Sons*, Toronto; H. H. Herrndorf, *Herrndorf Securities, Ltd.* Winnipeg

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Canada and International Trade

versity and a Vice-President of the Federal Reserve Bank of New York:

"A great change appears to be under way in the relation of industrial production and trade to foods and raw materials. For perhaps three-quarters of a century, the problem has been whether the industrial countries could absorb the food and raw materials which they had been instrumental in developing in other countries, on terms of trade tolerable to the latter. Now the imbalance appears to be swinging the other way. Owing partly to the expansion of industrial output of Europe under the Marshall Plan, and even more to our own absorption of raw materials, there is a general world problem of availability of supplies. Again, this problem has been much accentuated by the rearmament program; but it was becoming apparent even before Korea. World industrial production since 1938 has grown by some 50% while the output of food and raw materials has at most increased by 10%. Some experts have estimated that, apart from the United States, the world's food production is now lower than before the war; and if we take out a few items, such as petroleum and aluminum, this may well be true also of the raw materials."

This decline in the relative importance of the world's production of foodstuffs and raw materials threatens to have serious effects both on the countries which have in the past produced surpluses of primary products and are now turning more and more to manufacturing industry, and on the consuming countries which are dependent on foreign supplies of foodstuffs and raw materials.

So far as the former group of countries are concerned, many of them have shown in recent years an ardent desire to increase their manufacturing facilities. Factory chimneys belching forth smoke have come to be regarded as symbolic of economic progress. No doubt a greater degree of industrial development in under-developed countries is most desirable over a period of time. But when capital resources are relatively scarce, the question of priiorities assumes major importance. The first law of economics applicable to a situation of inflationary pressure is that goods are scarce and have alternative uses. What the import restrictions do is set up false priorities; they make the worse appear the better alternative. By their effects on prices and profits, they encourage the development of secondary industries which are dependent on continued import restrictions or prohibitions for their survival. In many cases, these industries produce non-essential goods. Import restrictions produce a situation which draws people away from the country to the cities. They reduce the relative profitability of the production of exportable foodstuffs and raw materials which have to face world competition, and they therefore operate to reduce the production of these essential things. In a word, the effect of the restrictions is to channel resources in the wrong direction to perpetuate inflationary conditions, and to weaken the basic economic structure of the countries applying them.

Development of Backward Areas

The economic development of underdeveloped areas is a task of great importance and urgency. These countries are poor and populous; their domestic savings are low; they need foreign capital for their development. Policies which weaken the basic economic structure do not make for attractive investment opportunities.

Turning now to the industrial countries, it is clear that developments along the lines I have been mentioning carry great risks in the way of reduced supplies of foodstuffs and raw materials, and adverse terms of trade. If one excludes countries such as Canada and the United States, it is diffisult to find many examples of substantial increases in the prewar level of production of foodstuffs and raw materials. Moreover, increases in domestic consumption in the producing countries have in many cases tended to reduce the size of exportable surpluses. These developments are of great significance for highly-industrialized European countries which have traditionally depended on overseas suppliers of foodstuffs and raw materials.

Canada and the United States are exceptions to the tendencies I have been describing: our production of foodstuffs and raw materials has increased quite considerably. But the fact that we are able to supply the goods does not get them into the hands of the United Kingdom and other industrial countries which need them:

S. C. Stephens, *James Richardson & Sons*, Winnipeg; W. J. Piper, *A. E. Ames & Co., Limited*, Montreal; W. J. S. Evans, *Guildhall Securities, Ltd.*, Montreal

J. S. Gairdner, *Gairdner and Company, Limited*, Toronto; F. M. Fitzpatrick, *A. M. Kidder & Co.*, Montreal; Reed Johnston, *G. E. Leslie & Co.*, Montreal

there is the slight matter of payment which intervenes. And unfortunately the same tendencies which have been operative in some of the primary producing countries have also, for somewhat different reasons, been operating in certain industrial countries, with debilitating effects on their economic structure and on their capacity to make payment for their imports in the only ultimately feasible way—by exporting the right goods to the right places at the right time at the right prices. In these industrialized countries too, inflationary pressures have been strong and have given rise to balance of payments difficulties: here too the difficulties have resulted in import restrictions. The consequence is the same: resources are misdirected and uneconomic production encouraged. Originally imposed to meet balance of payments difficulties, the import restrictions in effect in these countries, and the special discriminations which others practice in their favor, become props for industry to lean on, and on which industry ultimately becomes dependent. Temporary in their conception, the restrictions have continuing weakening effects. As the French, with their customary realism, point out, "*Il n'y a rien qui dure comme le provisoire.*"

When a person from a country fortunate enough not to have import restrictions points to their evil consequences, it is often thought that his remarks are prompted only by a desire to sell more goods to other countries, and that in the process he develops into a preacher of perfection. I would not like to have it said of me that my capacity for taking a stern view of other people's duties is matched only by my ability to maintain a calm, philosophical attitude towards other people's troubles. I want to assure you, Mr. Chairman, that I have not fallen into the habit of preaching, that I am well aware of the difficulties confronting other countries and that I do not think there is any easy solution to the problems which I have been discussing. Perhaps I am just exercising the traditional right of the banker to "view with alarm." But in all seriousness, I do suggest that the present state of affairs constitutes a chink, and indeed more than a chink, in the armour of the free nations and that it represents a weakness in the economic foundation underlying their defense efforts — a weakness which, if allowed to develop, could become very great indeed.

If I am right in these anxious thoughts, then we must hope that people will not be merely "against" the paraphernalia of import restrictions, special currency arrangements and so forth in the way that everyone is "against" sin. The world did not get into the present position because of deliberate choice, but because at each moment of time the immediate situation seemed to call for action along certain lines, and the longer-run future consequences seemed remote and unforeseeable. The future — or part of it — is at hand; and the longer-run consequences of past emergency measures are clearly perceptible in many fields. If countries are to get out of these entanglements, they must first of all base their policies on a clear recognition of the direction in which they wish to move, and then make sure that the measures adopted produce incentives which lead in this direction and not—as has so often been the case since the end of the war —in the opposite direction. If international balance at a high level of transactions, without import restrictions, is to be attained and the misdirection of economic resources avoided, we shall have to make an ally and not an enemy of the system of prices and incentives.

Conclusions

What lessons can we in Canada draw from the state of affairs I have been describing? We must, of course, do what lies within our power to influence the course of world events in a favorable direction. But we must also be prepared to keep our heads well above water even if developments elsewhere are unfavorable. To do so we shall continue to need flexibility in our economic system, we shall have to maintain our productive efficiency at a high level, and to keep our costs on a basis where we can face world competition. We shall need, in short, to avoid the rigidities and the misdirection of resources whose weakening effect on the basic economic structure is only too apparent when one sees it in others. If we are successful in avoiding these mistakes, we shall be better able to deal with whatever vicissitudes the future may hold and to derive the maximum benefit from the great economic expansion which is now taking place in our own country.

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Highlights in Merchandising Of Securities

tion of the potential that can be realized when we and the rest of us in the financial industry really learn how to merchandise securities.

I want to emphasize that word "merchandise." Some people in our business say the only thing a broker or an investment banker has to sell is service. We disagree with that emphatically. If you are in the securities business, you have something else to sell—securities. And you are not going to sell securities unless you advertise them and promote them and develop the market for them.

The days are gone when a broker can justify his existence by catering to a few wealthy clients who "play the market." Sure, there are a few left—but our industry must look to lower income groups who have been the chief beneficiaries of the redistribution of wealth.

It is hard for us to realize just how drastically the economic revolution has altered the securities market, but it's a fact we can never afford to lose sight of. I suspect the picture in Canada is much like that in the United States where we know that the aggregate wealth of the top-income classes—those with $100,000 a year, net after taxes—dropped 82%, down to a little more than half a billion dollars from 1929 to the end of the war. Meanwhile, in the same period, the middle income classes grew by leaps and bounds. Thus, the number of people with $5,000 to $10,000 net after taxes, multiplied almost fourtimes, and their aggregate wealth rose 171% to a total exceeding 11 billion dollars. (These figures are from the Bureau of Internal Revenue's "Statistics of Income, 1946.")

There is today's big market for securities—and *there* is the market which we have still hardly scratched. In the States, only a little more than 10% of those earning $5,000 or more own corporate securities. Probably much the same situation exists here.

Ignorance Is Reason Why There Are Not More Investors

Why don't more people own securities?

There is a one-word answer to that. Ignorance. Vast, appalling ignorance. Not long ago, the New York Stock Exchange tried to measure the degree of this ignorance. One finding alone tells the story. When the Opinion Research Corporation—representing the Exchange—asked people what they would do with extra money, how they would invest it if they had it, only 16% said they'd put any of it into common stocks. Government bonds, insurance, savings accounts, and real estate were preferred to stocks, by margins ranging from 3 to 1 to 5 to 1.

That kind of ignorance can only be counteracted by a broad, consistent, aggressive program of education.

Perhaps you think people don't want to be educated about our business. If you do, you're wrong. Over three years ago we first published an advertisement entitled "What Everybody Ought to Know . . . About This Stock and Bond Business." A research agency told us that that ad — a full page of small, forbidding type—had three to four times the average readership of an ad. Why? For only one reason. People do want to know about our business. We've spent over $100,000 on that ad. It's appeared in 107 newspapers and "Time Magazine" so far, and well over a million reprints have been distributed on request.

Education, of course, isn't a one-shot job. It's a painful, long-term job and a job that takes a lot of faith—the faith to remember that there really isn't any other way to meet the situation, and the faith to believe that there will be an ultimate payoff. We think it is paying off.

Here, I suspect, is the point where we in the securities business have the most difficult time readjusting our standards of value. All too long have brokers been inclined to think of advertising—if they thought of it at all—as a shot in the arm. If they spent $1 on advertising today, they expected $1.10 back tomorrow or at least the name of one hot prospect. There are some exceptions, and among the most striking are several in Canada.

Must Look to Advertising and Sales Promotion

That kind of an approach just doesn't do the job today. Instead we've got to look at advertising and sales promotion as all other successful merchandisers do—as a conditioning device, a method of piling one more impression—and another one and another one and still another one—on top of those we've already made. The impression that stocks and bonds are good things to own if you can afford them. The impression that there's nothing mysterious or complicated about the business. The impression that a broker is a reliable counsellor, willing and able to give help to investors who need it.

And that's what I mean by merchandising securities.

Remember, many people were afraid of the automobile when it was first introduced. They had to be educated first. Their interest had to be stimulated. The desire to own one had to be created. Is there any reason why we can't do the same job in the securities industry?

Last year, Merrill Lynch spent over a half million dollars on advertising in national magazines and local newspapers in some 100 cities. Although that advertising was not primarily designed to build up prospect files, it did naturally attract many inquiries. Some of these inquiries are requests for various educational booklets that the firm produces, but many of them are requests for Research Department help, because the bulk of our advertising is designed to tell people that we are here to help them with any individual investment problem—at no charge and no obligation.

Before telling you something about the other sales tools in addition to advertising that we use at Merrill Lynch, I would like to explain our organizational setup.

I have mentioned that our results are obtained from the efforts of 106 offices—106 separate operations, with their sales staffs of 1,000 men and women. Some of these offices have only three or four salesmen; the largest has over 60. Somewhere in that framework is an office similar to yours.

In each office there is a manager, responsible for the operation, who reports directly to the Managing Partner. Our Home Office gives advice and guidance in the various phases of the business, but as long as the Manager conforms to firm policies, he has control of his office. He hires and fires, sets his own salary standards, and is rewarded according to results.

The sales promotion literature we produce provides our men with an effective sales tool which supplements our advertising. The Sales Promotion Department, as part of the Sales Division, in cooperation with the Research Division, plans and produces a number of publications. These include a quarterly Security and Industry Survey, booklets concentrating on a single industry such as Airlines, Petroleum, Public Utilities, and numerous studies on individual companies. We have just completed a booklet on Canadian investments. If any of you would like copies of any of these publications, just let me know, and I'll be delighted to see that you get them.

How do we distribute this material? Before printing, each manager is required to furnish us with an estimate of the number of copies he feels can be distributed advantageously in his territory. Not one penny of the cost of any advertising or sales promotion is allocated to the individual office. We fill requisitions in the quantity requested, and it is up to the Manager to see the publications get into the hands of customers and prospects most likely to be interested in their contents. By far, the most effective distribution takes place when the salesman delivers it in person, but of course, a lot is sent by mail.

Special News Wires

Another important sales aid is our special News Wire. With New York the transmission point, this wire supplements the Dow Jones news ticker, and appears in each of our offices on a page-type printer machine. The receiving machine is equipped with duplicating carbon, so that it is a simple matter for an office to run off as many copies as it wants of any particular item.

We use this wire to its capacity of 75 words a minute throughout the day for relaying information about securities and commodities. It is of particular value to us when we want to communicate with all offices simultaneously—with such information as the terms of a winning competitive bid; the details of a proposed secondary or special offering, reoffering scales on municipal or corporate issues.

Last year we made a movie titled "Fair Exchange." It runs for 22 minutes and tells the story of a young couple who buy common stocks for the first time. We have averaged about 100 showings a week so far this year, usually before Service Clubs such as Rotary, Lions, Kiwanis, etc. The film is shown by one of our Account Executives who uses the question period to answer questions provoked by the film. It has brought us new customers by the hundreds. At the end of this year we plan to make the film available to public schools for showing in the classroom.

As part of this educational effort, we have conducted investment courses for women all over the United States. These consist of four or five sessions of about an hour and a half duration, with our own personnel making talks about security ownership and the role our industry plays in a capitalist economy.

We have conducted many similar courses for business executives with the active cooperation of corporate management. At county fairs or conventions, we often stage exhibits where we distribute our publications.

Two of our better known booklets, "How to Read a Financial

George Beves, *Calvin Bullock, Ltd.*, Montreal; Dick Daly, Jr., *R. A. Daly Co., Ltd.*, Toronto

Albert J. Cartan, Fergus P. Mallon, C. Teskey Smith, all of *Harrison & Company, Ltd.*, Toronto

Report" and "How to Invest," are used in over 300 colleges as textbooks, including Harvard, Yale, Cornell, Columbia, and many others. So far we have given away over one million copies of these two publications.

Still another recent educational effort was aimed at employees of large corporations. We prepared a booklet titled "They're Doing It—Are You?" designed to encourage editors of house organs to write articles on how the capitalistic system functions, and the part stocks and bonds play in it. We sent this booklet to 5,000 house organ editors. The response to date has been simply wonderful. Over 300 editors have told us they will publish such an article. A whole new and uninformed segment of citizenry is learning how our system works. Naturally, we hope when they do learn, they will want to participate in its ownership.

Each client with an open account gets a monthly statement. We usually enclose with these statements some printed promotion piece. Two months ago, for instance, we reminded customers of the millions of dollars lost through failure to exchange securities of merged, reorganized or recapitalized companies before deadlines. Another time, we warned about putting securities away and forgetting about them, and offered to review their portfolio.

Last year our Research Division handled tens of thousands of letters from the public, ranging from inquiries about how to invest $100 to reviewing portfolios of many millions of dollars.

We make no charge for any service performed by our Research Division. In fact, we have no service charges of any kind. At times an analyst may spend as much as a week on one large portfolio, and our only compensation will be the commissions at the usual rate when and if our recommendations are followed, *and if*, the customer elects to place his business through us!

As another informational service, we publish a magazine called "Investor's Reader," which we mail to 90,000 customers every two weeks. It is modeled after the business section of "Time Magazine" and has its own staff whose sole activity is the editing and production of the book.

There simply isn't time to dwell any longer on the merchandising tools used at Merrill Lynch. But tools are of little use unless they are in the hands of people trained to extract the utmost value from them.

I have mentioned that last year we ranked sixth among all underwriting houses in the United States. Only a few years ago we

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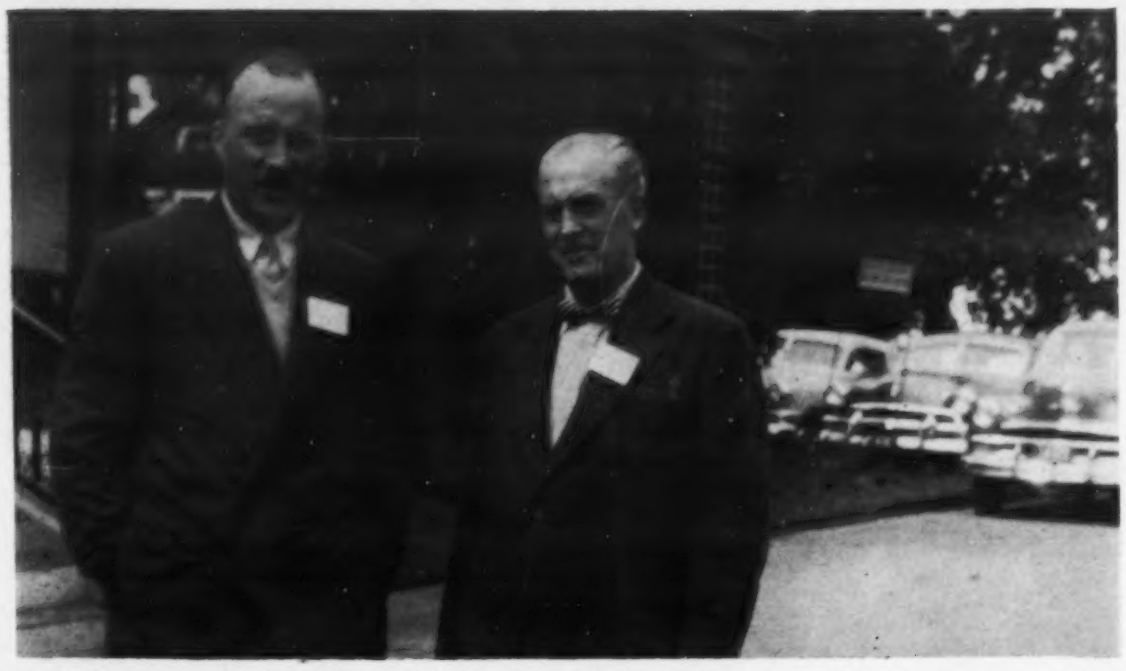

H. H. Mackay, *W. C. Pitfield & Co. Ltd.*, Toronto; Charles L. McCutcheon, *Bankers Bond Corporation Limited*, Toronto

H. E. Neville, *Gairdner and Company, Ltd.*, Montreal; Don Ferguson, *Nesbitt, Thomson & Company, Ltd.*, Montreal; R. C. Bartram, *McCuaig Bros. & Co.*, Montreal; Guy Major, *Major & Company*, Montreal; A. D. Styles, *Empire Trust Company*, New York City

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Mutual Fund Investing in Canada

management investment company of the open-end type. This offering was highly successful. The books were closed on May 8, and the company began business as a mutual fund May 14. One month after Canadian Fund, Inc., became a mutual fund, total assets had grown to approximately $13,000,000 and the company had over 7,000 shareholders. Underwriters and dealers offering these shares found many buyers who had never purchased mutual funds before. There were many owners of a diversified list of domestic securities who picked this method of placing that portion of their funds which they chose to set aside for foreign investment. The amount of the initial offering of $10,610,000 net to the company was set so that the trust would be large enough to assure shareholders of adequate diversification and to permit the ratio of expenses to investment income to be kept reasonably low.

The natural leadership of Calvin Bullock in the Canadian investment trust field springs from their experience in the formation and management of Canadian Investment Fund, Ltd., which was organized in 1932 as an open-end trust for offering in the United States. When the Foreign Exchange Control Board became operative in 1939, shares of this trust were withdrawn from sale in the United States. Canadian Investment Funds, Ltd., shares continued to be offered in Canada and the trust grew until it now has over $45,000,000 of assets and ranks as the largest mutual fund in Canada. The board of directors of Canadian Fund, Inc., a Maryland corporation, include the same persons who constitute the board of directors of Canadian Investment Trust, Ltd. Thus, the new trust has the benefit of 20 years of experience on the part of its board of directors and its advisors in handling the investment of the largest mutual fund operating in Canada.

On June 4, 1952 another offering of shares in a mutual fund, Natural Resources of Canada Fund, Inc., was made to the public by Frank L. Valenta & Co., Inc., as distributor. The offering consisted of 1,966,383 shares of common stock which was offered at $3.50 per share. Frank L. Valenta & Co., Inc., also manage Natural Resources Fund, Inc., a two-year-old investment company whose total assets are reported to be about $4,200,000.

Doubtless, other investment trust groups will offer shares to meet the popular demand for diversified investment in Canada. This movement should be beneficial in many ways. First, the American investor benefits because he no longer need play a lone hand in selection; he may extend the diversification of his investments by country, and he may obtain some protection against increased tax burdens and the results of social changes at home. Second, Canadian industry will benefit as companies will seek to manage their operations and set up their financing plans so that their securities would qualify for institutional investment by these funds. Third, it should be pleasing to regulatory bodies and State Commissions that an opportunity has been created for the small investor to participate in the growth of Canada under conservative and skilled guidance. In other words, this new development of mutual fund investing in Canada should be pleasing to all hands.

EDITOR'S NOTE: Since receipt of the above article a third Canadian fund has been registered with the SEC and will be offered to the public shortly. This fund, General Canada Fund, will be closed-end in its initial form and will be underwritten by Bache & Co. and Paine, Webber, Jackson & Curtis. After the original offering, the fund will be open-ended and Vance, Sanders & Co. of Boston will be the General Distributor.

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Nature and Size of Canadian Industries

as wallboard and fibreboard, electric cable insulating paper, paper containers, and photographic and sanitary papers.

Because of the strong and continuing world-wide demand, particularly for wood pulp and newsprint, in the postwar period, the industry has grown very rapidly in the five years since the end of World War II. Employment provided by the industry almost doubled. Output increased more than four times in value terms since 1939 and was about double in volume terms. These increases have been achieved by various means in the different segments of the industry. In the pulp and paper fields a number of new

plants have come into operation and others have been expanded. In particular, ten new pulp mills were built. From 1946 to 1950 some 14 new medium-sized and large firms have come into operation providing jobs for approximately 1,700 people. In the newsprint field most of the expansion of output has come from modernization of plant and equipment. Speeding up of machines and more efficient operations resulting from plant improvements have added 600,000 tons, or 12%, to the annual productive capacity of Canadian newsprint mills. As a result, output in 1950 reached 5.3 million tons. The continuing heavy demand for pulp and paper products has led to further expansion of plant capacity. Four new pulp mills and several paper converting plants were under construction in 1950.

Iron and Steel and Products Industry

There are four basic iron and steel producers in Canada who together account for over 80% of steel ingot output. These companies are vertically integrated to a large extent in that their operations include most processing and fabricating stages. There are in addition about a dozen smaller steel companies which make either iron or steel and which vary in degree of vertical integration. The major part of the industry is located in Ontario, with one of the large companies situated in Nova Scotia. The Canadian primary iron and steel industry has an annual capacity of 2.6 million tons of pig iron, over 3 million tons of steel and over half a million tons of special alloy steels, with further expansion under way. Manufacturers of secondary steel products (excluding transportation equipment, which is dealt with separately) are operating in some 2,400 establishments in various parts of the country, but with the major concentration in Ontario and Quebec.

Primary iron and steel producers and steel products manufacturers together turned out a gross value of output of $1.5 billion in 1950 and provided employment for some 161,000 people. The industry contributed 14% to the total net value of manufacturing production. Close to three-fifths of the firms in the field operate as incorporated companies and do over 95% of the business. The remaining companies, doing less than 5% of the industry's business, are enterprises owned by individuals or run as partnerships. The Canadian iron and steel industry supplies about two-thirds of total domestic requirements. Imports of steel commodities are important in such items as large structural steel sections, certain sizes of skelp (material for steel pipe), Bessemer skelp, wide steel sheet and plate, heavy gauge hot- and cold-rolled strip and wire for wire rope. Imports are also significant in the machinery and equipment field. They include such items as farm machinery, mining and metallurgical machinery, textile machinery, and components for the manufacture and assembly of a wide variety of products. Exports, while significant, are much less important than imports, and were running at about 12% of domestic production in 1950.

The industry has been growing more rapidly than most other manufacturing industries. Employment provided by the industry in 1950 comprised 14% of total manufacturing employment as against 11% in 1939. In that period the industry about doubled the number of plants in operation and jobs provided. The gross value of its output rose to more than four times the level of 11 years earlier, or more than double if allowance is made for price changes.

Transportation Equipment Industry

The transportation equipment industry employs over 100,000 people in more than 600 plants and yards, and produces equipment valued at over $1.2 billion. In terms of net value added, its output accounted for 9% of total manufacturing net value in 1950. The automotive industry has a peacetime capacity of about 200,000 passenger cars, 120,000 trucks and over 1,000 buses and other commercial vehicles a year. The railway rolling stock industry has a peacetime capacity of some 500 locomotives and 15,000 freight cars a year. The shipbuilding industry is equipped to build 500,000 gross tons of ocean-going shipping annually. In addition 100,000 gross tons of shipping can be built each year at yards on the Great Lakes. Although the aircraft industry has reduced operations considerably under peacetime conditions, it has maintained many of the establishments which during World War II turned out a total of 16,000 planes valued at nearly $400 million. Close to one-half of the firms in the transportation equipment business are incorporated companies and these are responsible for 99% of the output. The industry takes care of over three-quarters of domestic requirements, the remainder being met by imports, mainly from the United States and the United Kingdom. The tendency has been toward a reduction of imports, particularly since the establishment of diesel locomotive plants in Canada. Exports have been about 15% of domestic production, although in 1950 they amounted to less than 7%.

Non-Ferrous Metals and Products Industry

The industrial group operates over 900 plants and employs over 100,000 people. In 1950 its gross value of production was about $1.8 billion. But much of the industry's output, particularly non-ferrous metal products, was destined for sale abroad. For example, Canada exported about 85% of her aluminum output in 1950, 69% of copper, 81% of lead and 88% of zinc, all in various stages of refinement. For the industry group as a whole, exports comprised about one-fifth of output and imports were 11% of domestic consumption. Almost two-thirds of the industry consists of corporate enterprises doing about 98% of the business. The remaining firms are owned by individuals or operate on a partnership basis.

Non-Metallic Minerals and Products Industry

In 1950 there were more than 1,100 plants turning out non-metallic minerals, petroleum and coal products. The industry produced a total of close to $900 million worth of commodities in that year and employed some 45,000 people. It contributed 5% to the net value of all manufacturing production in the same year. About one-half of the firms in the field were incorporated companies doing 98% of the industry's business. Canadian producers met over three-quarters of domestic requirements, the remainder being imported chiefly from the United States. Exports have been running at less than 8% of production.

The industry has grown substantially in the last decade. Some of this growth has been associated with the Alberta oil and natural gas development which has come very much to the fore in the postwar period. In terms of employment and output the industry has grown about as much as the average manufacturing industry, but in terms of expenditures in plant and equipment it has spent a considerably larger amount than most other industries. Further, about 50 new medium-sized and large companies have come into existence since the beginning of 1946 and these have provided jobs for close to 2,000 people.

Chemicals and Their Products Industries

The industry operates about a thousand plants. Of these approximately three hundred are manufacturing some 200 different basic industrial and fine chemicals, the remainder producing a variety of allied products. The industry as a whole gives employment to some 40,000 persons, who in 1950 turned out a gross value of production of more than $600 million. This is 5% of the net value of manufacturing production. About three-quarters of the firms are incorporated companies doing 98% of the total business of the industry. The remaining firms are operated either by individuals or as partnerships. The chemical industry supplies about three-quarters of domestic requirements, the rest being imported, mainly from the United States. Foreign markets absorb about 17% of Canadian production.

The industry grew rapidly during the war, with most of the gains consolidated in the postwar period after a period of readjustment in 1945 and 1946. In the years that followed further expansion of the industry took place. It was based in the main on three factors: (a) The continuously growing demand for peacetime chemical products in Canada; (b) the availability in this country of new sources of basic substances, e.g., ethylene glycol; and (c) the increasing commercial use of research findings, particularly important in the plastics field. Employment in the industry almost doubled between 1939 and 1950. Some 200 new establishments were opened up, most of them by existing companies. There were also new entrants into the industry. Some 44 new medium-sized and large firms have become established in Canada since the end of the war, providing added employment for about 1,400 men and women.

Miscellaneous Manufacturing Industries

What this industry group lacks in size—it contributes only 1% to total manufacturing gross output—it makes up in variety of products. Major commodities produced include: Brooms, brushes and mops, fabricated plastic products, musical instruments, pens, pencils, typewriter supplies, professional and scientific instruments and equipment, sporting goods and toys, and a miscellaneous array of articles such as beer dispensing equipment, artificial flowers, lamp shades, artificial ice, novelty goods and zippers.

Since 1939 the number of establishments in this industrial group has risen by about 70% and employment has more than doubled. Output has increased by four times in dollar terms in the same period. Some 73 new medium and large-sized firms entered the field between 1946 and 1950, providing about 2,000 new jobs.

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Highlights in Merchandising Of Securities

ranked 45th. This progress was achieved chiefly because we were able to train a larger number of men to become successful retailers of new issues of stocks and bonds. Because of our ability to distribute nationally large quantities of securities, we are among the first firms to be sought as an underwriting partner.

Men grow old. Following the stock market crash in 1929, a whole generation of young men decided that other fields offered more promise than the securities business. We were startled to discover in 1945 that the average age of our sales force was 52, and we decided to do something about training a staff for the future.

Account Executive Training Class

In December, 1945, we started our first Account Executive Training Class. It was open to men with a college degree, or to those who had achieved officer rank in one of the military services. Starting salaries were from $250 to $350 a month, dependent upon previous experience and family obligations. There were over 300 applications for that first class, from which we selected 25.

For a period of six months those men went through an intensive course of study about our business. Most of the instructors were recruited from colleges and universities in and near New York, supplemented by some instruction from our own staff members. This latter effort by our own people was chiefly indoctrination in our philosophy about the business.

The trainees learned accounting, economics, security analysis, corporate finance, commodities, even public speaking, from trained professional teachers. We tried to provide them with a sound background in fundamentals that would get them off to a good start in this business.

At the conclusion of the training period, each man was assigned to a branch office. Some went to localities they came from, but a larger portion went to communities where they were total strangers. While it might appear easier for a newcomer in our business to get started in familiar surroundings, there is not one instance to my knowledge of a man who felt himself handicapped [illegible] a new and strange environment.

In the early years of this program, there was a large reservoir of young men coming out of the services ready and willing to go anywhere in search of a career. Their average age in entering our employ was 27. During the past two years as our ranks swelled, the program has been modified, and now the burden of recruitment is on the Manager. He selects his candidates, lets them work in his office for about three months to make sure they are suited for this business, and then sends them to New York for the formal classroom training that has proved so successful. The New York phase of training, all of it in the classroom 9 a.m. to 5 p.m., has been shortened to three months. And now, the graduate usually goes back to work for the Manager who selected him.

These training classes have been going on now for six years. At the end of 1951, our sales staff included 220 graduates, who accounted for $5¾ million of our 1951 income, exclusive of interest gain. About half produced more than $25,000 in 1951, and 25 had income credits in excess of $50,000. Three of these men had income credit over $100,000.

Of the 24 men still in direct sales work who attended the first two classes, only three produced less than $25,000 last year. Eight had between $25,000 and $40,000; five had between $40,000 and $50,000; and eight had over $50,000.

While all these young men started out as Account Executives, some graduated into other phases of the business. One is in charge of our Trading Department which handled about 1[illegible]% of our total business last year. Eight are Managers of an office. Others are scattered through Research, Commodity, Underwriting, in administrative capacities.

We are continuing this program in 1952. One group of 38 has already been graduated and is in the field. Another group of 28, which includes five Canadians who will go to our Toronto office on completion of their training, is in session at the moment. A third group is scheduled to commence early in the fall.

How have these men fared in compensation? Last year, six earned over $15,000; 24 earned between $10,000 and $15,000; 47 received between $7,500 and $10,000. None of these men have been in the business longer than six and one-half years.

We are presently working on an analysis of income and compensation to see if there is a pattern showing what can be expected from a man who has been in the field six months, a year, two years, three years, etc. I think we will be able to demonstrate that those who adhere to our policies, work with a reasonable diligence, can attain financial rewards in this business comparable with the most lucrative available in any field.

I have merely sketched highlights of our merchandising operations, and our training program, and there may be time to answer a few questions about details. I believe, and I'm sure you believe the securities business is an important business, and that we who are in it have something important to sell.

Somebody said about a book salesman: "When you sell a man a book, you don't sell him just 12 ounces of paper and ink and glue, you sell him a whole new life." Let's apply this philosophy to the selling of securities.